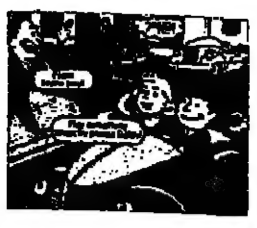
هكذا من الاصل

FINANCIAL TIMES

World Business Newspaper http://www.FT.com

TUESDAY APRIL 14 1998



Speech recognition in cars
His master's voice may soon take the wheel
Technology, Page 10

Internet commerce
Software for setting up a shop on your desktop
On the Web, Page 8

In-house pubs
For those who want to hang out with the boss
Lucy Kellaway, Page 8

Sweden
Social Democrats play it safe
Separate section

WORLD NEWS

Russian leftwingers threaten to defy Yeltsin again over vote on Kiriyenko

Russian Communist party chief Gennady Zyuganov said leftist groups would again reject Sergei Kiriyenko, Boris Yeltsin's candidate for premier, in a vote due later this week. If it rejects Mr Kiriyenko three times, parliament will be dissolved and the country will face more confrontation and uncertainty. **All bets are off, Page 2**

Karadzic 'will not surrender'
Ljiljana, wife of former Bosnian Serb president Radovan Karadzic, denied her husband intended to give himself up for trial by the UN war crimes tribunal. **Page 2**

Kurdish leader 'captured'
Turkish troops said they captured Kurdistan Workers Party (PKK) ex-commander Semdin Sakik in northern Iraq. The PKK seeks Kurdish self rule in south-east Turkey.

Botha trial to start
Former South African president and apartheid leader PW Botha goes on trial for contempt today after refusing to testify to the Truth and Reconciliation Commission.

Korean talks hit problems
Talks between North and South Korea were stalled over details of fertiliser aid to help Pyongyang's famine in return for concessions on the reunion of families separated since the 1950s. **Page 3**

Hunt for Pol Pot
Cambodian troops and Khmer Rouge defectors moved into northern mountains hunting for former guerrilla chief Pol Pot and the rebel group's current leaders.

Envoys hurt in Albania shooting
Two senior British diplomats were shot and wounded by a masked robber in Albania at the weekend. Their car was stopped on the outskirts of the capital Tirana.

Palestinian crackdown
Palestinian police arrested 12 students from the Moslem militant Hamas group who took part in an anti-Israel rally in the West Bank city of Nablus last week.

Jailed Tehran mayor praised
Iran's interior minister Abdollah Nouri praised Tehran's jailed mayor Gholamhossein Karbaschi, who is the focus of a power struggle between Iranian conservatives and moderates. **Background, Page 4**

Beware the ides of April
Girija Prasad Koirala refused to be sworn in as Nepal's prime minister yesterday because the last day of the Nepalese calendar is considered inauspicious by astrologers.

April in Paris
Snow across France caused power cuts, traffic accidents and road closures. A light dusting fell in central Paris, but in Vosges, eastern France, it left 16,000 homes without electricity. **Weather, Page 14**

BUSINESS NEWS

Japanese surplus rises to $12.7bn as value of imports declines by 17%

Japan's current account surplus nearly doubled to Y1,651bn ($12.7bn) in February, mainly because of a 17 per cent fall in the value of imports. The surge is likely to lead to more demands from the US and Europe for action to boost Japan's domestic demand. **Page 14; Editorial Comment, Page 13; Currencies, Page 24**

Otis Elevator, the world's largest elevator company, is cutting 2,000 jobs worldwide in response to the impact of the Asian crisis. **Page 15**

Tabacalera, Spanish tobacco producer and distributor owned by Seppa, a finance ministry agency, launched a $2bn privatisation issue. **Page 15**

UCB, Belgian drugs group which makes the hay fever drug Zyrtec, plans a 100-for-one share split to make its shares more attractive to small investors. **Page 16**

AgipPetroli, subsidiary of the Italian oil and gas company Agip, plans to take a significant equity stake in a $1.6bn project to build an oil refinery in southern China. **Page 16**

Intel, the world's largest chipmaker, was given a US court preliminary ruling finding a "substantial likelihood" that the company may have violated US antitrust laws. **Page 16**

General Motors, the world's biggest car company, is to move its international headquarters from Zurich back to the US. **Page 16**

Mutual fund sales in the US and Europe reached record levels, prompting fears that the bull market has given small investors unrealistic expectations. **Page 15**

PolyGram, Dutch entertainment group, may establish film distribution operations in Argentina, Brazil and Mexico. **Page 16**

India is to lift import restrictions on 340 items in an apparent effort by the BJP-led government to signal its intention to continue trade liberalisation. **Page 3**

Club Méditerranée's former chairman, Serge Trigano, is planning a holiday village company targeted at older clients. He was ousted from the French leisure group a year ago. **Page 16**

China's economy showed signs of slowing, strengthening calls for reflationary measures and for reform of lossmaking state-owned industries. **Page 3; A tale of two stock markets, Page 18**

World Equity Markets
The latest trends and data from more than 50 national markets at a glance
Page 31

Banks set to merge in $200bn deals

BankAmerica in $133bn link with Nationsbank and Banc One in $72bn merger with First Chicago

By Tracy Corrigan and Richard Tomkins in New York

The US moved two steps closer to the creation of a truly nationwide bank when BankAmerica and NationsBank agreed to create the country's largest bank in a $133bn deal, while Banc One and First Chicago NBD also announced a $72bn merger.

The new BankAmerica created by the merger will have the largest branch and ATM network in the US as well as being the biggest lender and deposit taker.

"We will be unmatched in coast-to-coast market presence," said Hugh McColl, chief executive officer of NationsBank. "Together, we will be America's bank – at home and around the world."

Banc One's link with First Chicago will create the second largest credit card issuer in the US.

In a flurry of deals in the last year, NationsBank bought Barnett Banks, First Union acquired Corestates Financial and Washington Mutual and Ahmanson merged to create the country's largest thrift – all deals worth more than $10bn.

But despite the disappearance of 400 banks last year, there are still well over 10,000 commercial banks in the US.

The latest deals are driven by consolidation and cost-cutting, unlike last week's $170bn merger of Travelers and Citicorp, which is predicated on the cross-selling of retail banking and insurance products.

But all these deals reflect the increasing desire of financial services firms to increase their critical mass.

"Given our goals for our customers, our people, our communities and our shareholders, bigger is, indeed, better," said Mr McColl, speaking at yesterday's press conference in New York.

BankAmerica's merger with NationsBank is expected to produce pre-tax savings of $2bn after the first two years.

The bank, which will be called BankAmerica but will initially keep both brands, will have its corporate headquarters in Charlotte, North Carolina, the home base of NationsBank.

Mr McColl will be chairman and chief executive officer. David Coulter of BankAmerica will be president, but is expected to succeed Mr McColl.

The merged company will have $570bn in assets and relationships with 29m households in 22 states.

The merger of Banc One and First Chicago is expected to generate $930m in cost savings and $275m of revenue increases. Banc One's John McCoy, who will become president and chief executive officer of the merged bank, said that he expects to get 50 per cent of the benefits in 1999 and 100 per cent in 2001. He described the deal as a "win-win for the shareholders of both predecessor companies".

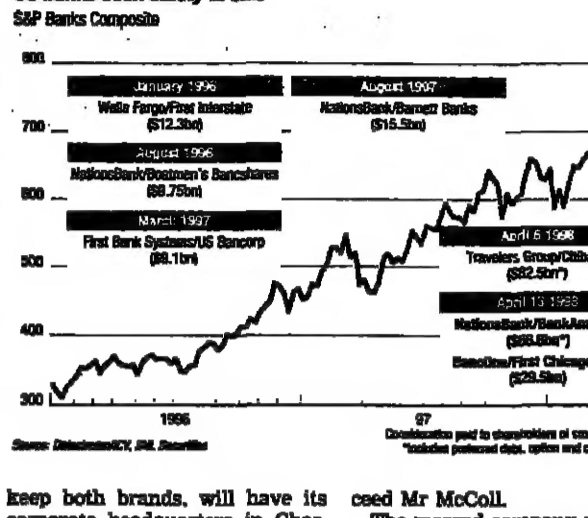
Verne Istock of First Chicago will be chairman.

BankAmerica's shares rose 3.7 per cent yesterday to $89 13/16, with NationsBank rising 5.2 per cent to $80 7/16. First Chicago rose 5.1 per cent to 98¾ and Banc One rose 1.6 per cent to 63¾.

BankAmerica was advised by Goldman Sachs, NationsBank by Merrill Lynch and Montgomery Securities. Merrill, together with Morgan Stanley Dean Witter, also advised Banc One, while Lazard Freres and Goldman advised First Chicago.

Moving targets, Page 13
Observer, Page 13
Lex, Page 14
Global investor, Page 15

US banks seek safety in size
S&P Banks Composite



Source: Datastream/ICV, SBL Securities
Consideration paid to shareholders of smaller company
*includes preferred debt, option and common stock

IMF warns that deficits could knock back bonds and shares

By Robert Chote, Economics Editor, in Washington

Growing current account deficits in the US and Britain could force disruptive increases in interest rates and push bond and stock markets off their peaks, the International Monetary Fund said yesterday.

In its twice-yearly World Economic Outlook, the IMF warned that trade imbalances could puncture investors' enthusiasm for the dollar, reversing one factor holding down US inflation.

"If world commodity prices were to recover at the same time and labour market pressures continued to push up wage growth, the Federal Reserve could face the need for a significant tightening in monetary conditions," the IMF said. "Both bond and stock markets might be subject to significant corrections."

The US current account deficit is forecast to hit $230bn this year.

Michael Mussa, the IMF's chief economist, said the US stock market had reached "relatively lofty heights", but that a hypothetical 20 per cent fall would have only a modest effect on the real economy. While a lower dollar would be needed to reduce the current account deficit, the timing and speed of the decline were both unpredictable.

The IMF warned that sterling's strength pointed to similar concerns in the UK. "While the Asian crisis suggests a need for monetary conditions in the industrial countries to be somewhat easier than would otherwise have been warranted, policymakers will need to remain vigilant to prospective changes in inflationary pressure, including those arising from financial market developments."

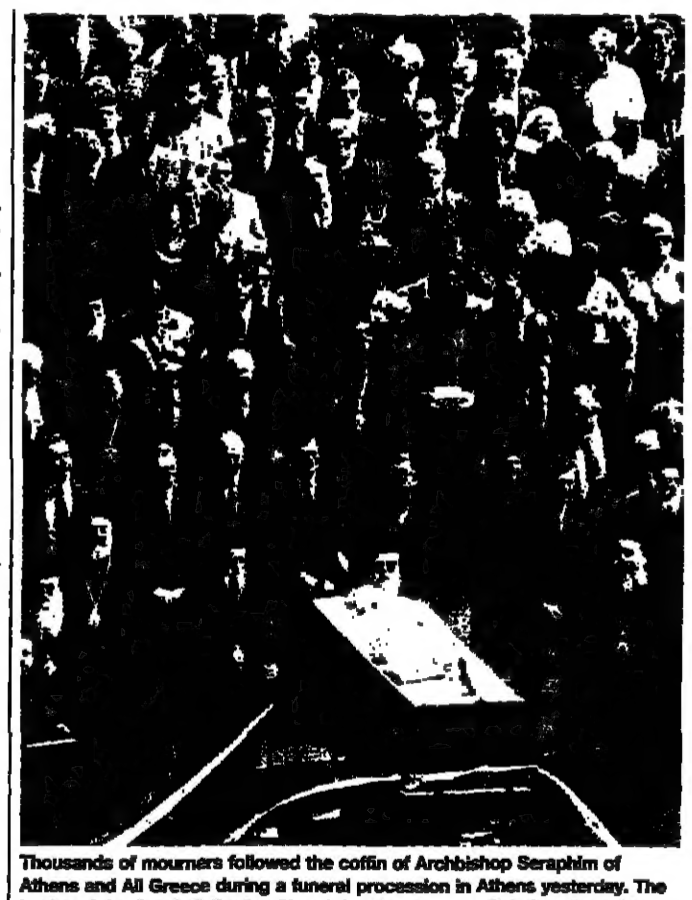
But the Asian crisis had removed the need for an immediate rise in US interest rates. "Further adjustment of official interest rates should await signs of continuing above-potential growth or a further acceleration of wage costs on the one hand, or an unexpectedly sharp slowdown on the other".

Despite Japan's intervention to support the yen last week, the IMF argued that the yen/dollar exchange rate appropriately reflected the strength of the US economy and the weakness of Japan's. In contrast, the D-mark has remained weak despite evidence of stronger growth in Europe.

Japan is expected to experience a technical recession in the first half of this year, with output falling for two successive quarters. But the latest fiscal stimulus package should restore growth in the second half.

Japan was pressed to use any remaining scope to loosen monetary policy and to make fiscal policy "significantly stimulative" this year. "Tax reductions, to be paid for by base broadening and spending cuts when the recovery becomes more firmly established, would have the advantage of promoting medium-term structural reform objectives as well as providing short-term stimulus."

Labour market worries, Page 4
World growth revised down, Page 4
The squabbling twins, Page 12
Sterling set to fall, Page 15



Thousands of mourners followed the coffin of Archbishop Seraphim of Athens and All Greece during a funeral procession in Athens yesterday. The leader of the Greek Orthodox Church had been in hospital since he suffered kidney failure six weeks ago. Picture: Reuters

Easter peace gives Ulster deal a boost

By John Murray Brown in Belfast

An Easter Monday parade in Belfast by the protestant Apprentice Boys club passed off without incident yesterday, raising hopes that Friday's political agreement in Northern Ireland may reduce community tensions.

The march has long been a potential flashpoint, because its route through a Catholic neighbourhood is regarded by residents as provocative. Two years ago serious rioting broke out when the march was stopped by police. This year, as last, the Apprentice Boys agreed to a rerouting.

Friday's multi-party agreement received its first boost over the weekend when David Trimble was given convincing backing at a special meeting of the Ulster Unionist Party for his decision to accept the terms of the compromise with nationalists.

After a four-hour meeting of the 110-member UUP executive in Belfast, Mr Trimble's move was endorsed by 55 of the 78 members present, putting paid to immediate fears that dissidents opposed to the deal may unseat him.

In Washington, President Bill Clinton was briefed yesterday by George Mitchell, the former US senator who chaired the talks. Mr Mitchell had earlier told US television he feared extremists would try to wreck the deal.

Mr Trimble's opponents complained the deal offered no guarantee paramilitaries would disarm, but John Hume, leader of the moderate nationalist Social Democratic and Labour party, said decommissioning of illegal weapons was less important than a commitment by parties to renounce violence.

Tony Blair, the UK prime minister, said: "This is an agreement where either everybody wins or it completely falls to bits," he said.

He also held out the hope that the constitutional wrangle could end and politics in the province revert to more normal debate. "If the men of vision defeat the men of the past ... politics can become about health, education, the normal problems of law and order, the state of the economy and the things that the politics of ordinary people are about."

But Gerry Adams, the Sinn Féin president, said the republican struggle would continue, warning that "Sinn Féin is resolutely committed to full national and democratic rights for all the people of this island".

Mr Trimble still has to get the backing of the UUP's 1,100-strong ruling council, which meets next week on the same day as Mr Adams addresses Sinn Féin's annual conference in Dublin.

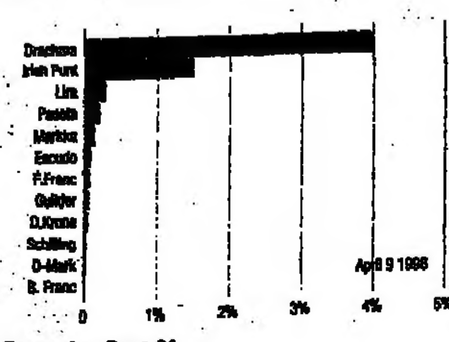
Mr Trimble played down his difficulties. "The people calling me a traitor are only a small group who have over the last number of years called everybody in this party names."

WORLD MARKETS

STOCK MARKET INDICES		
New York: Lunchtime		
Dow Jones Ind Av	8,929.35	(-65.51)
S&P Composite	1,101.01	(-9.66)
Europe and Far East		
CAC40	Closed	
DAX	Closed	
FTSE 100	Closed	
Nikkei	16,317.58	
US LUNCHTIME RATES		
Federal Funds	5 5/8%	(5.43%)
3-mth Treas Bills: Yld	5.16%	(5.08%)
Long Bond	102 3/8	(103⅜)
Yield	5.94%	(5.89%)
OTHER RATES		
UK: 3-mo Interbank	Closed	
UK: 10 yr Gilt	Closed	
France: 10 yr OAT	Closed	
Germany: 10 yr Bund	Closed	
Japan: 10 yr JGB	Closed	
NORTH SEA OIL (Argus)		
Brent Dated	Closed	

GOLD		
New York: Comex		
Apr	$310.8	(308.0)
London:		
	Closed	
EXCHANGE RATES		
Dollar		
New York: Lunchtime		
£	1.6685	(1.66975)
DM	1.8225	(1.8235)
FFr	6.1069	(6.1058)
SFr	1.5102	(1.5162)
Y	128.43	(131.07)
London:		
£	Closed	
DM	Closed	
FFr	Closed	
SFr	Closed	
Y	Closed	
Tokyo Close		Y 129.425
Sterling		
DM	Closed	

EMS: GRID



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Currencies, Page 24

9 770174 736128

CONTENTS

WORLD NEWS

All bets are off as doubts start to emerge over Yeltsin's big gamble

The dramatic bid by the Russian leader to reignite the reform process may backfire, reports John Thornhill

This weekend President Boris Yeltsin will slap backs and swap pleasantries with Ryutaro Hashimoto, the Japanese prime minister, in the idyllic resort of Kawana, where Marilyn Monroe and Joe DiMaggio spent their honeymoon.

The veteran Russian leader may be in a fine mood to frolic in luxurious Japanese surroundings as he reflects on his latest dramatic action back home. By the time Mr Yeltsin arrives in Kawana, there is a good chance that Russia's pliable parliament will have approved Sergei Kiriyenko as prime minister, providing another lease of life for the country's spasmodic reform drive and confirming the president's dominance of all he surveys.

Yet there is a possibility that things will not turn out Mr Yeltsin's way and that he may have stumbled into one of the stiffest battles of his presidency. If parliament rejects Mr Kiriyenko a second and a third time, then – under the terms of the 1993 constitution – it will be dissolved, plunging the country into a fresh round of political confrontation and economic uncertainty.

There is no guarantee that a new parliament will be any more to Mr Yeltsin's liking than the existing one. Mr Yeltsin may only be repeating the mistake made by Jacques Chirac, the French President, last year when he dissolved parliament prematurely and handed his opponents an electoral triumph.

Andrei Piontkovsky, director of the Strategic Studies Centre, an independent research institute, believes Russia's political elite could yet conclude that Mr Yeltsin is becoming part of the problem rather than the solution to Russia's instability and ask him to step down.

"In my view the situation is very worrying. We are in danger of entering a political cul-de-sac in which neither the president nor parliament has any clear plan of action," he says.

"There is a growing understanding that Yeltsin is unpredictable and threatens the stability of the country. If 10 to 15 leading politicians have conversations between themselves and put this case to Yeltsin then I do not see how he can answer these questions."

At present such talk is confined to the margins of political debate but it is easy to see how quickly it could enter the mainstream.

Mr Yeltsin's impetuous action in sacking Victor Chernomyrdin, his long-standing prime minister, last month and championing the candidacy of Mr Kiriyenko, a 35-year-old political novice, has highlighted just how much power is vested in the presidency. Yet that immense responsibility currently resides in the hands of a 67-year-old man of failing health and erratic temperament.

The president's recent moves have even disturbed some of his firmest supporters. Alexander Shokhin, parliamentary leader of the pro-Kremlin Our Home is Russia party, now argues that the constitution should be changed to ensure that the head of the upper house of parliament, temporarily assumes the presidency in the event of Mr Yeltsin's premature death.

At present, the constitution states that the prime minister should take over – although it is unclear what happens if he is only an acting prime minister, like Mr Kiriyenko, who has not yet been approved by parliament.

Yesterday, Mr Yeltsin firmly rejected all talk of amending the constitution saying it was "illogical". "No changes will be made to the constitution while I am president," he said. But, to some, the vehemence of Mr Yeltsin's rejection emphasised the weakness of his case.

Yet more hostile forces are gathering in parliament collecting signatures for Mr Yeltsin's impeachment and openly calling on him to resign. The political uncertainty is also damaging the economy, worrying many business leaders and prompting sharper attacks on Mr Yeltsin in the press.

Mr Yeltsin's supporters appear to believe they can still twist enough arms and grease enough palms to win Mr Kiriyenko's approval in parliament – especially as the ballot is secret.

Mr Kiriyenko needs at least 226 of Russia's 450 MPs to support his candidacy and surprised many by receiving 143 votes in the first ballot.

But it remains a high-stakes game with the outcome far from clear. As he relaxes in Kawana, Mr Yeltsin can only hope that his legendary political instincts, which have served him so well in the past, are not failing him now.

Kiriyenko, left, with Yeltsin yesterday. The Russian leader may have stumbled into one of the stiffest battles of his presidency Reuters

Popular general wins duma seat

Andrei Nikolayev, one of Russia's fastest-rising political stars, has won a comprehensive victory in a Moscow by-election for a seat in the duma (parliament), bolstering his chances of running in presidential elections in 2000, writes **John Thornhill** in Moscow.

Mr Nikolayev, a former head of the federal border guards, attracted 63 per cent of the vote in Moscow's Orekhovo-Borisovsky district in the first real test of his electoral appeal.

An eloquent and telegenic general of moderate views, Mr Nikolayev is seen by some political observers as a dark horse candidate to succeed President Boris Yeltsin and appears to be attracting support from some of Russia's most powerful business leaders. He has also forged a strong alliance with Yuri Luzhkov, Moscow's populist mayor.

This has led to suggestions that Mr Nikolayev could form a Moscow-orientated political party in the Russian parliament.

Karadzic will not surrender says wife

By Guy Dinmore in Belgrade

The wife of Radovan Karadzic, the former Bosnian Serb president charged with war crimes, has denied reports that her husband intends to give himself up for trial by the UN tribunal in The Hague and says he would resist any attempt by Nato troops to arrest him.

Ljiljana Karadzic, in a statement carried by Belgrade newspapers yesterday, said Mr Karadzic would never accept the legitimacy of the tribunal, which she described as a tool of western governments, especially the German, "that are waging a war against the Serb people".

Speaking in the village of Pale, near Sarajevo, where she works as a Red Cross official, Mrs Karadzic also dismissed foreign reports that her husband had authorised lawyers to prepare his defence.

Western diplomats said last week that Mr Karadzic, the Bosnian Serb leader during the 1992-1995 civil war, was negotiating the terms of his surrender to the tribunal and that he could be in custody within weeks.

Elisabeth Rehn, the senior UN envoy to Bosnia, said she believed Mr Karadzic would be detained "quite soon", while the US State Department said the west was "tightening the noose" around his neck.

Mrs Karadzic said all speculation of her husband's whereabouts was wrong. "No one can know where he is at the moment," she declared. Diplomats deny reports he has fled to Russia or Belarus and say he is still in the Serb-controlled half of Bosnia.

Bosnian Serb officials admit privately that Mr Karadzic, through his lawyers, had been in contact with the war crimes tribunal several months ago.

Diplomats in Belgrade said western governments were reluctant to risk using force to seize Mr Karadzic, although he wields far less power than previously.

NEWS DIGEST

METRIC LABELLING

Brussels may delay move to avert clash with US

The European Commission is thought to be looking favourably at requests to postpone the implementation of metric-only labelling from January 1, 2000 to avert problems in trade with the US.

The US requires packaging and labels on consumer goods to provide measurements in imperial units. Companies say meeting the differing requirements of the US and the European Union would add significantly to costs.

They want the metric-only labelling requirements for the weight and size of products to be lifted permanently, but are pressing for at the very least a long delay. Commission officials have told some of them they will recommend a 10-year postponement. The biggest impact of the labelling move will be in the UK and Ireland, where many people still use imperial measures. **Michael Smith, Brussels**

GERMAN POLITICS

Waigel plea to stop bickering

Theo Waigel, Germany's finance minister, yesterday appealed to his own Christian Social Union and Chancellor Helmut Kohl's Christian Democrats to end the "destructive personnel debate" which has hurt the coalition partners' attempts to present a united front before the general election in September.

Over the Easter break, leading members of both parties traded blows over who would succeed the chancellor if and when he stood down.

Referring to Wolfgang Schäuble, head of the parliamentary faction of both parties and Mr Kohl's own preferred successor, Ingo Friedrich, CSU deputy chairman, said his party expected to have a decisive voice in choosing the chancellor's successor.

Mr Schäuble recently annoyed the CSU with a draft election programme which included proposals for higher energy taxes. These are opposed by the CSU which was quick to go public with its criticism. Mr Waigel was reported to have telephoned Mr Schäuble to complain that while the draft programme was presented as a joint effort it was not wholly supported by the CSU. **Frederick Stüdemann, Berlin**

KENYA FINANCES

State accounting under fire

Kenya's public finances have been heavily criticised in the auditor-general's report for the 1995/96 financial year. David Njoroge's 555-page audit is peppered with words such as "unconstitutional", "illegal" and "unsatisfactory".

The public document, tabled for debate in parliament, details unauthorised or excessive expenditure and negligent accounting practices affecting virtually every government department. Mr Njoroge calculated the executive's excess expenditure in 1995/96 – "incurred without the authority of Parliament" – at Ks910m (about $15m at current exchange rates). **Reuters, Nairobi**

HAMAS CRACKDOWN

Israel praises Palestinians

Israel yesterday delivered rare praise to the Palestinian Authority, the self-rule government in the West Bank and Gaza Strip, for its recent crackdown on Hamas, the militant Islamist movement. But tensions between the PA and Hamas mounted even further, as Hamas accused the PA of collaborating with Israel in the recent death of Muhyideen al-Sharif, a Hamas master bombmaker.

Yitzhak Mordechai, Israel's defence minister, said the PA's recent wave of arrests of Hamas activists was a "good start that must continue over time and in a systematic way". Israel has refused to move the peace process forward until it is convinced the PA is taking firm measures to break the Hamas military wing.

At the weekend, the PA arrested several Islamist leaders as well as Imad Awadallah, a Hamas member considered a leading suspect in the unsolved death of Mr Sharif. Thousands of Hamas supporters, however, demonstrated in the West Bank town of Nablus yesterday, and called for revenge against Israel. **Avi Machlis, Jerusalem**

CATHOLICS IN CUBA

Priest 'forced to quit'

The only US Roman Catholic priest working in Cuba has accused the communist authorities of forcing him to quit his parish in a case which could threaten to sour some of the good will generated by the recent visit to the island by Pope John Paul II.

Father Patrick Sullivan, a 52-year-old Capuchin Franciscan priest from New York, said on Sunday the Cuban authorities had told his religious superiors he must leave his parish in the central city of Santa Clara, where he has worked for nearly four years.

He understood the authorities were angry after he told foreign journalists about his efforts to educate parishioners about human rights. "They [the authorities] communicated that my continuing presence would lead them to be unco-operative" towards the church, Father Sullivan said. He had decided to leave Cuba to avoid reprisals by the authorities. But a Cuban foreign ministry spokesman said the US priest was being transferred by his superiors from Santa Clara to Havana and that this was "an internal church matter". **Pascal Fletcher, Havana**

US leads drugs sales advance

By Daniel Green

Rapid growth in the Americas boosted prescription drugs sales in 13 of the world's biggest markets by 6 per cent to $181bn in the year to January 1998.

The US led the advance with sales up 11 per cent to $67bn, according to figures published today by IMS Health, the specialist market researcher.

But strong performances from Mexico as it recovered from its mid-1990s economic recession, with sales up 27 per cent to $3bn, and Canada, up 11 per cent to $4bn, also helped. All figures exclude currency movements.

Japan remained the world's slowest large market for drugs. Sales fell 2 per cent to $41bn.

One reason for Japan's performance is the slow sales of anti-depressants such as Prozac, made by Eli Lilly of the US, and Seroxat/Paxil, made by UK company SmithKline Beecham.

Anti-depressants come within the category of nervous system drugs, a sector whose sales fell 2 per cent to $2.5bn in Japan. In the US, by contrast, they rose 17 per cent to $13.4bn.

Sales of anti-depressants in particular grew by 40 per cent within the US, according to IMS Health.

Sales in Western Europe's seven main markets grew by only 4 per cent, to $53bn. In Germany and France, where governments have tried to hold back drug spending, sales rose 2 per cent and 3 per cent to $14.6bn and $13.5bn respectively.

There was faster growth from the UK, up 7 per cent to $7.7bn and Spain, up 9 per cent to $4.8bn.

The biggest medical area remained heart disease drugs, with sales up 7 per cent to $36bn. The US again led the way with growth of 14 per cent to $12.6bn thanks in part to recently launched cholesterol-lowering drugs such as Zocor from US company Merck.

Digestive system drugs were the second largest area with 5 per cent growth, to $29.8bn, held back by the expiry last year of patents on Zantac, the ulcer drug made by the UK's Glaxo Wellcome. Zantac was the world's biggest selling medicine for a decade until last year.

World retail pharmacy purchases
12 months to January 1998

$m	US	Japan	Germany	France	Italy	UK	Brazil	Spain	Canada	Argentina	Mexico	Aus/NZ	Neths	Belgium
Cardiovascular	12,564	7,528	3,642	3,645	1,952	1,583	1,003	1,095	1,011	494	238	634	420	400
Alimentary/Metabolism	10,853	6,860	2,385	2,081	1,382	1,449	1,180	774	636	616	545	486	398	258
Central Nervous System	13,358	2,544	1,745	1,858	944	1,281	886	714	781	483	350	881	242	385
Anti-infectives	6,601	4,779	1,258	1,814	1,137	458	771	519	296	405	612	388	125	217
Respiratory	8,815	2,541	1,416	1,226	674	1,117	737	505	389	285	348	395	248	192
Musculo-skeletal	2,487	2,847	667	655	477	440	868	244	175	234	280	77	64	88
Genito-urinary	4,303	845	880	778	432	431	690	198	225	223	189	122	107	84
Others	10,112	13,054	2,661	1,782	1,561	1,024	1,146	781	663	589	525	430	250	243
Total	67,311	41,098	14,827	13,842	8,469	7,763	6,835	4,832	4,116	3,548	3,006	2,677	1,854	1,786
% Change*	11	-2	2	3	4	7	5	9	11	8	27	9	7	3

Source: IMS Health

* Changes exclude currency movements

Europe's single currency fuels Frankfurt's fortunes

Graham Bowley and **Wolfgang Münchau** assess the prospects for Europe's financial centres

Preparing for Emu

Eddie George, governor of the Bank of England, likes to joke that the City of London employs more people than Frankfurt has inhabitants.

Even so, Frankfurt is one of the few German cities that is increasing rapidly: its population is expected to rise from 652,000 in 1995 to 684,000 by 2000. More important, Frankfurt's status as a financial centre is also on the up.

Just how much of this growth will be directly due to European economic and monetary union – which will place the European Central Bank in the city – is difficult to pin down.

Domestic factors such as a slow but determined process of financial deregulation and gradual change in the savings habits of the German public have also helped raise Frankfurt's profile. While Emu is bound to have an effect, the single currency on its own is unlikely to lead directly to a sudden migration of researchers, investment bankers and economists to the city.

Chief economists, ECB-watchers and their departments are likely to remain in London, at least for the time being. "Do US banks cover the Fed from Washington? No, they cover it from New York. The parallel can be drawn for Frankfurt and London," said one senior executive at a European bank in London.

But the euro will undoubtedly, if indirectly, support the build-up of banking expertise in Frankfurt by adding to the pressures for structural change in the German economy. "Banks are keen to break in. Some have been there for years, building relations, there are privatisations, consolidation, spin-offs. Lots of action," said one US banker.

By opening up European markets, Emu is likely to be a catalyst for further change in German industry, which is already restructuring to cope with globalisation and the opening of world markets.

Already many foreign banks have begun to expand their operations in Frankfurt, mainly in investment banking, to take advantage of the changes taking place.

Merrill Lynch, for example, has significantly increased its staff, mainly in equity research and sales. It now has around 120 people working in its Frankfurt office, up from 90 a year ago.

Goldman Sachs has 270 people in Frankfurt, up from 230 last year and likely to rise to 300 by the end of this year. But even so, Frankfurt's growth is overshadowed by that of London.

Paribas, the French bank, is recruiting one new person a day in London, mainly in its capital markets division.

According to Scott Moeller, chief strategist of the investment banking business of Deutsche Morgan Grenfell, DMG has been building up its coverage of Emu in London and Frankfurt, but also in New York and Singapore.

He says there is a greater awareness among clients on the European continent about the need for preparation for Emu. This means there is a greater demand for resources on the continent devoted to Emu, although the UK is also catching up.

Such factors have grown enormously in importance, as improvements in technology are beginning to render the notion of a "financial centre" anachronistic.

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address.
GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

هكذا من الأصل

China's economy starts to slow down

By James Kynge in Shenyang, north-east China

China's economy showed signs of a marked slowing in the first quarter of this year, adding urgency to calls for reflationary measures and for reform of loss-making state-owned industries.

Industrial output in the first three months of the year grew by 8.2 per cent, 2.8 percentage points less than during the same period of last year and 1.9 percentage points less than in 1997 as a whole. If China is to meet its target of 8 per cent gross domestic product growth this year it should be recording a level of industrial expansion of nearer 11 per cent, said Zhai Fan, an economist with the State Council Development Research Centre, a leading think-tank.

Part of the reason for the lacklustre industrial performance was that enterprises are cutting production in response to a chronic oversupply of many different types of goods. Prices fell by 1.2 per cent in March from a year earlier, and by 1.5 per cent in the first quarter, owing to stiff competition.

Zhu Rongji, China's new premier, said this month economic growth was 7.5 per cent in the first quarter. The Organisation for Economic Co-operation and Development (OECD) last week predicted growth would fall to 7.2 per cent this year, down from 8.8 per cent last year.

The impact of this slowing trend, which is complicating an already perilous transition toward a free-market economy, was on display in Shenyang, the capital of China's "rust belt" province of Liaoning.

Wen Shizhen, provincial governor, said yesterday that one million workers were to be made redundant as loss-making state-owned enterprises were closed or merged over the next two years, nearly doubling the current number of 1.2m unemployed state workers. He appealed to all town and city mayors in Liaoning to help create 400,000 jobs annually to absorb the newly unemployed.

But the potential for social disturbances was clear. On a road lined by insolvent state enterprises in Shenyang yesterday, about 50 redundant workers used their bicycles to blockade the traffic for several hours.

"I served our plant for 45 years and now I have nothing left. I don't know how I am going to buy next month's rice," said one woman demonstrator who complained that her pension was no longer being paid by the bankrupt munitions factory that employed her.

So far, China's response to this type of challenge has not been to slam the brakes on economic reform, but rather to seek ways to reflate. Yao Yuanlong, a researcher with the Institute of Scientific and Technical Information of China, said a plan to end subsidised state housing from the second half of the year would create a huge boost for consumption.

Officials and think-tank academics are also calling for tax rebates and increased credit for exporters as a means of maintaining trade growth without devaluing the yuan, China's currency.

In the first quarter, exports were up 12.8 per cent to $40.1bn and imports climbed 2.7 per cent to $29.54bn. The performance was better than expected but some economists said the enhanced competitiveness of south-east Asian nations after currency devaluations might yet start to tell later this year.

■ China has instructed state banks to classify loans in line with international standards as part of reforms to improve credit analysis and clean up bad debts in the banking sector, writes James Harding in Shanghai.

The state-owned commercial banks have tended to be vague in assessing the scale of their non-performing assets, raising concerns that the level of problem loans could be higher than the government's estimate of 20-25 per cent.

"Clearing and classifying banks' credit assets by using international practices is an important step in our financial reforms and curbing of financial risk," Dai Xianglong, governor of the People's Bank of China, the central bank, was quoted as saying by state media.

Emerging markets, Page 18

Beijing offers Jakarta $200m aid

By Gwen Robinson in Jakarta

China has offered Indonesia more than $200m of aid in an attempt to shore up its troubled economy. The offer by Tang Jiaxuan, China's new foreign minister, of $200m in export credit facilities and $3m in medical aid comes as international pressure on Jakarta for economic reform looked likely to broaden to human rights issues.

Domestic and international groups have stepped protests over a military crackdown on student activism and the recent disappearance of political activists, and groups from Europe and the US are expected to bring allegations of Indonesian military abuse before the United Nations Commission on Human Rights, now in its 54th session in Geneva.

Tang Jiaxuan, China's foreign minister (left), greets President Suharto of Indonesia in Jakarta yesterday. Reuters

The US government has also discreetly lodged official complaints about the disappearances to the Indonesian embassy in Washington and through its embassy in Jakarta. At least 11 activists have been missing for weeks, including student leaders and members of opposition groups, according to the Indonesian Legal Aid Foundation.

The US congress is scheduled this month to vote on a further $18bn contribution to the IMF, and some congressional representatives have already signalled their readiness to make an issue of the IMF's large allocation to Indonesia. Several delegations of US congressional staffers visiting Jakarta this month are also expected to raise human rights issues.

Beijing's most recent offer of aid adds to its commitment of $400m to the IMF-orchestrated fund in support of Indonesia and underlines China's new-found willingness to take on diplomatic and economic responsibilities for the region following the Asian crisis.

The Chinese leadership has also acknowledged its ability to act as a stabilising force in Asia with promises of further funds for regional assistance and repeated pledges that Beijing will hold the Chinese currency steady rather than risk sparking another round of instability by a devaluation.

Indonesia last week agreed with the IMF to adopt an economic reform programme that will unlock the second $3bn tranche of the IMF-sponsored $43bn rescue package and billions of dollars more in aid and trade finance guarantees.

President Suharto, commenting yesterday for the first time since the accord, pledged he would "fully implement" the comprehensive 117-point reform package. "Only with a consistent approach will we be able to get out of this economic and financial crisis step-by-step," he told a ceremony for civil servants. "Basically, the economic and financial reform policy has been completed and it will be implemented consistently."

Travel ban imposed on executives and owners of troubled banks

The Indonesian government yesterday imposed a travel ban on 50 executives and owners of 14 troubled banks which were taken over or suspended by the government last week, writes Gwen Robinson in Jakarta.

The move reflects Jakarta's growing push to clean up the ailing banking industry, under the government's agreement with the International Monetary Fund to restructure the sector.

Several of the banks are owned by relatives or close friends of President Suharto, while Mohamad Hassan, the trade and industry minister, owns one of the banks placed under government management. The restraint order did not name the executives, but included main shareholders and senior management of the banks, officials said.

The travel ban would allow the authorities to continue investigations into the troubled institutions and would also prevent any bank executive leaving the country with public funds, officials said. The investigations could lead to legal action, including charges of embezzlement, they added.

"I am not accusing them of having committed crimes, but I don't rule out the possibility that this matter could lead to a criminal investigation," said Mr Muladi, Indonesia's justice minister. The 30-day restraint order could be extended for as long as necessary, he added.

Korean talks on fertiliser stalled

By James Kynge

Talks between negotiators for North Korea and the rival South were stalled yesterday on details of providing agricultural fertiliser for Pyongyang in exchange for concessions on allowing the reunion of families separated since the Korean war of 1950-53.

Pressure on the North has also been growing from a different quarter. Catherine Bertini, head of the World Food Programme under the United Nations, said in Beijing at the weekend that the WFP had threatened to cut back food relief if Pyongyang continued to bar the relief organisation from 50 of the country's 210 counties. Famine has hit the secretive, Stalinist state and relief organisations say that starvation is commonplace.

"We said to the North Koreans that, within a certain period of time if we did not have access to the additional counties, we would then cut back the amount of resources that we were sending," Ms Bertini said. She added that six out of 10 North Korean children were now being born underweight and that three of those six died.

The North's main demand at negotiations in Beijing is for as much as 200,000 tonnes of fertiliser to help restore the country's largely exhausted soil. The South wants Pyongyang to agree to reunions of families separated by the war, which are believed to involve millions of people.

The two sides agreed to meet again today to try to find a compromise. Seoul also wants to exchange envoys with Pyongyang and reopen liaison offices in the border truce village of Panmunjom.

India to lift some import restrictions

By Amy Louise Kazmin in New Delhi

India is to lift import restrictions on 340 items in an apparent effort by the BJP-led government to signal its intention to continue trade liberalisation.

Rama Krishna Hegde, the commerce minister, also announced that India was simplifying and decentralising bureaucratic procedures for exporters, and making it easier for companies in key export sectors to import capital goods with duty concessions.

While major Indian exporter organisations hailed the announcement as "export friendly", Bibek Debroy, a New Delhi-based international trade expert, said India's trading partners were unlikely to be impressed with what he called a half-hearted attempt at trade liberalisation.

While the new government – led by the Bharatiya Janata party – has lifted restrictions on some paper products, textiles and chemicals, Mr Debroy said many of the newly liberalised items, such as fish, wooden dolls and hairbands, were "easy items" which were neither particularly important nor controversial.

It would be tough to convince the World Trade Organisation India was serious about phasing out import restrictions, he said.

In an agreement with trading partners such as Australia, Japan, Europe and Canada, India has five years to phase out all its remaining import restrictions while a dispute with the US on the same matter still remains.

Mr Debroy said the trade liberalisation policy showed the new government was "going to reform but the reforms are going to be very, very slow".

However, other trade policy experts said they are still waiting for the budget to see the tariffs levied on foreign products.

IMF/WORLD BANK SPRING MEETINGS MORE FOREIGN EXCHANGE INFORMATION TO BE REQUIRED

Standards for data to be tightened

By Robert Chote, Economics Editor, in Washington

The International Monetary Fund is to tighten its standards for member countries' economic data, now that France has dropped its opposition to a requirement for more information on foreign exchange reserves.

The IMF's special data dissemination standard will require countries to publish information on their net foreign exchange reserve position, after taking sales and purchases in the forward market into account. Until now information on reserve-related liabilities has only been "encouraged" under the standard.

The decision to tighten coverage of foreign exchange reserves follows the Thai government's use of forward operations to exaggerate its reserve holdings in the run-up to the baht's devaluation last July. Until recently the idea had been opposed by the French central bank, with Japan also lukewarm.

More than 40 countries have already subscribed to the data standard, which is intended as a benchmark for countries with access to world capital markets. It lays down requirements for the frequency, timeliness and coverage of data.

The extension of the standard will be discussed by finance ministers and central bank governors in Washington this week, where the IMF and World Bank will hold their spring meetings.

Following the Asian crisis, officials are also keen to see countries publish more data on their holdings of short-term foreign debt. But this will be much more difficult to pull together and agreement has not been reached on details.

The Bank for International Settlements in Basle is likely to increase the frequency and timeliness of its data on the maturity and composition of external debt. The leading proposal is for large banks to provide information once a quarter, with smaller banks only required to report once a year.

Michel Camdessus, the IMF managing director, is also keen to keep up the momentum of efforts to encourage free capital flows, despite calls for restrictions after the Asian crisis.

The IMF board has agreed a draft rewording of the organisation's articles of agreement which would make encouragement of free capital flows one of its purposes. Article 1.2 would commit the Fund "to facilitate the expansion and balanced growth of international trade in goods and services and an efficient international allocation of capital". Article 1.4 would commit the Fund "to assist in the establishment of a multilateral system of payments in respect of current and capital transactions between members, in the orderly liberalisation of international capital movements, and in the elimination of foreign exchange restrictions which hamper world trade and investment".

These amendments will be considered by the IMF's "interim" committee next Thursday, but other articles will also need amending to define the extent of the Fund's jurisdiction over capital flows. Work is likely to be carried out over the summer for discussion at the autumn annual meeting.

IMF ECONOMIC OUTLOOK RATE OF EXPANSION EXPECTED TO REBOUND AFTER WEAKEST PERFORMANCE FOR FIVE YEARS IN 1998

World output growth revised down to 3.1%

By Robert Chote

Asia's financial crises mean the world economy will record its weakest growth for five years in 1998, but the rate of expansion should soon rebound to exceed its long-run average, the International Monetary Fund said yesterday.

World output should rise by 3.1 per cent this year, less than the IMF predicted in October and December. The largest downward revisions are for the three countries most affected by the crises – Indonesia, Korea and Thailand – where weak domestic demand is outweighing increased net exports.

"Although there are painful adjustments yet to come, there are grounds for expecting a continuing recovery of confidence in these economies in the year ahead, followed by a moderate pick-up in activity in 1999," according to the IMF's twice-yearly World Economic Outlook.

The combined GDP of the five countries most affected – Indonesia, Korea, Malaysia, Thailand and the Philippines – is expected to fall this year following average growth of more than 7 per cent a year between 1990 and 1996. Their current accounts should be in surplus by $20bn this year, compared with deficits of $27bn in 1997 and $54bn in 1996.

Huge depreciations in these countries' currencies will boost export demand, but the IMF thinks domestic demand is unlikely to stage a meaningful recovery until confidence is restored in their financial sectors. In the US depression of the 1930s, the Chilean debt crisis of the early 1980s and the Mexican financial crisis of the mid-1990s, turnarounds did not take place until decisive action was taken to deal with weak banking systems.

Indonesia, Korea and Thailand need to close insolvent institutions and recapitalise viable banks, as well as improve supervision. Japan too needs to be more decisive in addressing its banking system problems.

The Asian crisis should have a modest contractionary and disinflationary impact on the industrial economies. The expected growth rate for the industrial countries has been revised down to 2.4 per cent for this year, with the same rate expected in 1999. Modest monetary tightening should see growth of 2.9 per cent in the US this year decelerate to 2.2 per cent in 1999, while output stagnates this year in Japan before growing by 1.3 per cent in 1999.

While noting the long duration of the current economic upswing in the US, the Fund cautioned against assuming the business cycle had been abolished in a "new paradigm". It noted current employment growth rates in the US could not be sustained and further significant falls in unemployment would fuel inflation. Speculation about the end of the business cycle was rife in the 1960s, but was swept away in the 1970s.

The IMF also played down worries about global deflation, noting conditions were very different from those of the depression. Exchange rates are more flexible, policymakers have more leeway to adjust monetary and fiscal policies, the "lender of last resort" function of central banks is better understood and international co-operation helps avert damaging national policies. Sustained moderate growth around the world should also help avert deflation.

Growth in developing economies is expected to slow from 5.8 per cent in 1997 to 4.1 per cent this year, less than two-thirds the figure expected in October. "Although it seems unlikely international investors will substantially reduce their exposure to emerging market countries that are not at the centre of the crisis, generally high risk premiums, losses of competitiveness, lower commodity prices and stepped-up efforts to address domestic and external imbalances are likely to cause most developing countries to experience at least modest slowdowns of growth in 1998," the outlook said.

The IMF praised China for defending the yuan and urged strong adjustment efforts in India and Pakistan. Latin America has weathered the crisis relatively well but growth will slow this year in part because of the measures taken to guard against shifting investor sentiment.

Growth in Africa is expected to accelerate this year, but rising risk premiums for emerging market debt will raise foreign borrowing costs.

The impact of the Asian crisis in the transition economies has varied widely, depending on the international integration of domestic financial markets, existing policy weaknesses and the importance of economic links to Asian economies. But for the first time since the transition began, every transition economy is expected to grow this year. But the Fund warned that the transition economies faced pressing fiscal challenges.

Keeping an eye out for future problems, the Fund noted that economies were typically overheated in the run-up to crises. Inflation was relatively high, the real exchange rate appreciated, the current account deficit widened, domestic credit grew at a rapid pace and asset prices were often inflated. Real exchange rate appreciation, excessive domestic credit expansion and a rapidly rising ratio of broad money supply to international reserves could thus signal vulnerability.

IMF OUTLOOK EUROPEAN NATIONS WARNED

Labour reform failings 'EU's Achilles heel'

By Robert Chote

Inadequate labour market reform is the Achilles heel of the European Union's imminent single currency, threatening public support for the pursuit of low inflation, the International Monetary Fund warned yesterday.

"The broad consensus in favour of policies directed at price stability could be challenged if sufficient progress is not made in reducing structural unemployment," the IMF said in its latest World Economic Outlook. "Without such support, even an independent central bank could find it difficult to sustain such policies for long."

Progress in reducing inflation provides a propitious starting point for a single European monetary policy, the IMF believes. "In most countries, however, additional fiscal and structural policy measures – as well as being desirable in their own right – are needed for the monetary union to work smoothly and effectively."

With economic and monetary union removing a country's ability to use interest and exchange rate policies independently, underlying fiscal positions need to be strong to give room for manoeuvre on budgetary policy.

The IMF thinks most eurozone members will need medium-term fiscal positions that are at least in balance, with moderate surpluses required if pensions systems cannot be reformed to compensate for looming demographic changes.

Of the 11 putative Emu participants, Finland, Ireland and Luxembourg should have fiscal positions in balance or surplus this year. The other eight have structural deficits ranging from 1 to 2.5 per cent of gross domestic product.

These countries need to strengthen their fiscal positions to comply with the EU's "stability and growth pact", although they will be helped by falling interest payments on government debt. The outlook noted most European countries had been reluctant or unable to implement necessary labour market reforms and that their willingness to push fiscal consolidation further was in doubt.

The Fund believes that economic activity in continental Europe will continue to strengthen, notwithstanding the Asian crisis. Interest rates should remain unchanged in France and Germany, to strengthen domestic demand. A fall in Italian rates to the same level should not pose undue inflationary risks. But rates in the euro-area are likely to rise next year.

The EU economy is expected to grow 2.8 per cent both this year and next, with Germany and France recording 2.5 and 2.9 per cent growth respectively. Growth in Ireland, where the threat of overheating seems greatest, is expected to exceed 8 per cent, dropping to 6.8 per cent in 1999. Inflation in the EU is forecast at 2 per cent this year and next, while unemployment is set to edge down from 10.6 to 10.2 per cent.

Iran's factions wary after Tehran mayor's arrest

Khatami: warned against rallies in support of Tehran's mayor

By Robin Allen in Dubai

Mohammed Khatami, the Iranian president, has warned against rallies in support of Tehran's mayor, Gholamhossein Karbaschi, whose recent arrest, according to senior western diplomats, has "crystallised" the growing factional dispute between moderates and conservatives in Iran.

While the moderates are led by the president, their conservative opponents are headed by Ayatollah Ali Khamenei, the country's spiritual leader. Abdollah Nouri, interior minister, yesterday praised Mr Karbaschi for his work in Tehran.

Mr Karbaschi was detained on April 4 on after several visits to Tehran's main judiciary building to answer questions about his role in alleged embezzlement, bribery and "influence-peddling" among senior members of his staff at Tehran's municipality.

His arrest is thought to be part of moves to undermine Mr Khatami's authority by hardline conservatives, who may have lost nationwide support but still control many of the nation's key organs of power.

One of the power centres outside Mr Khatami's control is the judiciary, which is independent of the cabinet. Its chief, Ayatollah Mohammed Yazdi, is appointed by Mr Khamenei, and accountable only to him.

By contrast Mr Khatami's justice minister, Ismail Shoushtari, also doubles as cabinet affairs minister and has little authority beyond the funding and administrative affairs of his ministries.

The judiciary's pursuit of Mr Karbaschi, a close ally of Mr Khatami, started last May immediately after Mr Khatami's unexpected landslide victory in national presidential elections.

Mr Khatami ran on a programme of civil and economic reform, the rule of law, and an end to Iran's isolation.

These were all policies which have threatened the interests of the narrow circle of conservative mullahs and businessmen who have run Iran since 1979.

Mr Karbaschi has won wide praise for his effectiveness as mayor of Tehran since 1990 in improving both the appearance of the city and the quality of its public services.

However, his high-handed methods made many enemies, notably among rich individual secular property owners and the clerical establishment, including the *Bonyads*, the religious state foundation which takes in the country's largest landowners.

The cabinet has condemned Mr Karbaschi's arrest, emphasising its commitment to the "rule of law and order," and reaffirming that Mr Karbaschi would continue to act as mayor even from jail.

But Tehran analysts argued that Mr Khatami is unlikely to seek a showdown with the conservatives. Such an approach would not be consistent with his character or style, which has been to emphasise the importance of dialogue and the pre-eminence of the rule of law.

Analysts also pointed out that Mr Khatami needs the support of the conservative-dominated parliament to bring a measure of order into Iran's chaotic public finances. State income has been badly hit by falling oil prices. Oil sales comprise 80 per cent of hard currency earnings and 70 per cent of the government's conventional budget revenue.

Yesterday, dealers in Dubai, the only centre outside Tehran where Iran's currency has traditionally been traded at its real market rate, stopped accepting Iranian rials after the currency fell 13 per cent in three days to IR5,930 to the dollar, compared with IR4,630 last December and IR70 at the time of the 1979 Islamic revolution.

Mr Khamenei has ordered the heads of the executive, judiciary and legislature to defuse the mayoral crisis. According to the conservative daily Jomhuri Eslami on Monday, parliament is to meet today in closed session to discuss the stand-off with Mr Karbaschi.

PUBLIC NOTICES

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

UNITED STATES

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1988	113.0	110.7	5.4	104.9	100.6
1989	115.5	112.7	5.2	97.9	100.1
1990	116.2	112.4	5.5	82.7	93.6
1991	113.8	110.2	6.8	61.7	96.1
1992	117.0	113.6	7.4	61.8	103.2
1993	122.2	117.7	6.8	67.7	106.6
1994	129.2	124.0	6.0	79.0	112.7
1995	132.6	130.2	5.5	79.3	115.8
1996	137.5	134.7	5.4	77.0	120.8
1997		141.4	4.9	79.0	127.5
1st qtr.1997	4.4	5.0	5.2	79.3	128.2
2nd qtr.1997	2.9	4.3	4.9	77.3	126.2
3rd qtr.1997	4.6	4.9	4.8	78.9	127.9
4th qtr.1997	4.0	6.7	4.6	80.0	127.5
March 1997	4.0	5.3	5.2	79.0	123.2
April	3.1	4.7	4.9	78.9	122.5
May	2.2	4.8	4.8	73.3	123.7
June	3.5	3.9	5.0	79.7	125.2
July	4.7	4.7	4.8	78.7	128.3
August	5.1	5.0	4.8	77.7	127.4
September	4.1	5.0	4.9	80.4	127.9
October	3.4	5.7	4.7	78.5	126.7
November	4.2	5.8	4.6	82.6	128.0
December	4.4	5.7	4.6	78.9	127.5
January 1998	4.3	5.6	4.6	79.6	127.1
February		4.9		82.2	

JAPAN

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1988	122.6	113.1	2.5	135.2	98.3
1989	132.6	119.7	2.2	146.3	102.4
1990	141.6	124.5	2.1	149.8	99.9
1991	144.5	126.8	2.1	144.2	95.3
1992	139.7	119.0	2.1	124.2	91.0
1993	131.7	113.6	2.5	105.8	92.7
1994	129.4	114.5	2.9	99.4	97.8
1995	128.4	118.5	3.1	103.2	100.1
1996	132.6	121.7	3.3	115.3	101.3
1997	132.0	126.8	3.4	120.6	98.9
1st qtr.1997	9.0	6.4	3.3	121.7	101.9
2nd qtr.1997	-6.7	6.7	3.5	121.0	101.3
3rd qtr.1997	-1.5	4.2	3.4	121.0	100.3
4th qtr.1997	-2.9	-0.3	3.4	118.7	98.9
March 1997	23.0	7.5	3.2	121.3	101.9
April	-12.6	4.8	3.3	121.0	101.5
May	-3.6	7.5	3.6	121.3	101.6
June	-3.8	7.8	3.5	120.6	101.3
July	-2.2	5.0	3.4	120.8	101.1
August	-0.3	3.3	3.4	120.4	100.7
September	-2.0	4.3	3.4	122.1	100.3
October	-2.3	2.1	3.4	119.7	99.8
November	-2.1	-2.0	3.5	116.7	99.1
December	-4.4	-1.0	3.4	119.5	98.9
January 1998	-1.9	-3.2	3.5	112.0	99.2
February		-3.1		107.4	

GERMANY

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1988	109.1	106.3	6.2	165.1	92.6
1989	111.9	111.4	5.6	219.5	96.7
1990	118.7	117.2	4.8	261.9	98.5
1991	125.0	121.7	4.2	297.9	96.0
1992	122.8	120.0	7.7	287.9	89.3
1993	119.7	112.6	7.9	229.0	94.6
1994	117.6	117.6	8.4	241.2	103.7
1995	118.5	119.4	8.2	266.3	99.7
1996	117.2	119.0	8.8	274.1	103.6
1997	115.6	112.6	9.8	282.8	111.3
1st qtr.1997	-0.5	4.1	9.4	273.1	107.1
2nd qtr.1997	0.6	2.0	9.6	275.8	109.4
3rd qtr.1997	-2.9	2.6	9.9	285.6	112.1
4th qtr.1997	-1.7	3.5	10.0	297.2	111.3
March 1997	-1.8	4.0	9.5	280.0	107.1
April	-0.1	2.9	9.5	270.8	107.8
May	2.4	0.6	9.8	275.8	108.7
June	-0.6	2.6	9.7	280.8	109.4
July	-3.5	6.3	9.7	280.8	111.1
August	-2.2	0.9	9.9	288.3	111.6
September	-3.1	0.8	10.0	287.5	112.1
October	0.9	4.1	10.0	290.8	111.9
November	-1.7	3.5	10.0	300.0	111.5
December	-4.4	2.9	10.0	300.8	111.3
January 1998	-1.0	7.2		301.6	
February		4.4			

FRANCE

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1988	107.9	107.2	10.0	135.3	101.0
1989	109.5	111.1	9.4	160.6	100.8
1990	110.4	112.8	8.9	163.2	94.7
1991	110.2	111.5	9.4	128.2	96.1
1992	110.5	110.1	10.4	109.5	95.4
1993	110.7	105.9	11.7	90.0	97.3
1994	110.5	110.0	12.3	104.1	103.8
1995	110.6	112.4	11.6		98.3
1996	110.2	112.8	12.3		102.5
1997	111.4	115.8	12.5		107.1
1st qtr.1997	-1.3	0.7	12.5		103.5
2nd qtr.1997	0.9	3.4	12.5		104.4
3rd qtr.1997	1.7	4.8	12.5		106.9
4th qtr.1997	2.9	6.3	12.4		107.1
March 1997	-0.5	1.0	12.5		103.5
April	1.0	4.4	12.5		103.3
May	3.1	2.4	12.5		103.7
June	-1.5	3.5	12.6		104.4
July	2.7	4.7	12.5		105.6
August	-0.8	4.7	12.5		106.4
September	3.2	4.3	12.5		106.9
October	4.6	6.7	12.5		107.0
November	-0.5	5.0	12.4		107.1
December	4.8	7.4	12.2		107.1
January 1998	4.6	7.0	12.1		107.3
February					107.2

ITALY

	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator
1988	107.9	114.3	10.0	100.3
1989	116.9	118.7	10.0	98.3
1990	114.4	118.0	9.1	94.0
1991	114.8	116.9	8.8	97.5
1992	116.9	115.4	9.0	91.5
1993	113.8	113.0	10.3	99.4
1994	106.5	119.9	11.4	105.2
1995	101.3	127.3	11.9	104.2
1996	99.2	123.7	12.0	106.9
1997		126.8		117.1
1st qtr.1997	3.3	-0.3	12.2	108.7
2nd qtr.1997	4.3	2.3	12.1	110.4
3rd qtr.1997	8.6	3.4	12.1	114.2
4th qtr.1997		5.6		117.1
March 1997	3.8	0.0	n.a.	108.7
April	5.3	3.9	n.a.	108.6
May	7.5	2.8	n.a.	109.6
June	0.3	0.4	n.a.	110.4
July	8.8	3.3	n.a.	111.6
August	8.6	4.6	n.a.	113.0
September	8.2	2.4	n.a.	114.2
October	8.0	4.5	n.a.	114.8
November		4.5	n.a.	115.9
December		7.8	n.a.	117.1
January 1998		6.6	n.a.	119.3
February			n.a.	

UNITED KINGDOM

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1988	117.8	111.7	8.6	144.0	96.4
1989	120.1	114.0	7.2	124.3	95.4
1990	121.1	113.7	6.9	97.7	92.4
1991	119.4	109.9	8.8	68.6	97.6
1992	120.4	110.2	10.1	69.8	101.2
1993	123.9	112.6	10.4	76.5	106.9
1994	126.5	118.7	9.5	93.7	110.7
1995	129.9	121.2	8.7	107.4	110.3
1996	133.7	122.6	8.2	131.1	113.9
1997	140.6	124.4	7.1	162.0	115.7
1st qtr.1997	4.6	1.4	7.5	156.0	114.1
2nd qtr.1997	5.4	1.6	7.2	158.6	113.9
3rd qtr.1997	5.2	1.9	7.0	166.5	114.8
4th qtr.1997	5.6	0.6	6.6	166.9	115.7
March 1997	4.7	0.4	7.5	159.0	114.1
April	4.9	2.4	7.3	157.0	114.1
May	5.6	-0.1	7.1	156.9	113.8
June	5.6	2.4	7.3	161.8	113.9
July	5.4	2.2	7.2	162.3	114.0
August	5.4	2.2	7.0	166.3	114.3
September	3.9	1.4	6.8	170.9	114.8
October	6.5	1.4	6.7	176.9	115.8
November	4.9	0.5	6.6	184.3	116.0
December	5.3	0.1	6.6	159.5	115.7
January 1998	6.8	0.0		152.7	115.4
February	4.5	-0.2		158.8	114.6

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). Industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

هكذا من الأصل

هكذا من الأصل

White House war on tobacco hots up

By Richard Wolffe in Washington

The White House said yesterday it was pushing for tougher penalties on tobacco companies if they did not meet strict targets on reducing teenage smoking – in spite of aggressive opposition from industry leaders.

White House staff said they would put pressure on senators to increase the penalties on tobacco companies – currently capped at $3.5bn a year – if teenage smoking targets were missed.

The strong negotiating stance from the US administration comes just a week after tobacco companies declared war on the legislation which is currently passing through the senate.

Stevan Goldstone, chairman and chief executive of RJR Nabisco, the second biggest US tobacco company, last week accused Congress of embarking on a "taxing frenzy" that would destroy his own company and the rest of the industry.

In June, the US tobacco industry agreed with state attorneys-general to pay out $368.5bn over 25 years and accept tough advertising restrictions in return for protection from big state law suits.

But earlier this month senators approved draught legislation that would increase the penalties to more than $500bn without giving the industry the legal protection it wanted. Martin Broughton, chief executive of BAT Industries, has already said his company will not co-operate with the new bill.

President Bill Clinton has come under mounting pressure to take a leading role in the battle between Washington and the US tobacco industry. In a series of interviews over the weekend, the leading Senate backers of new anti-tobacco legislation called on Mr Clinton to lead support for the draught bill.

John McCain, the Arizona senator who is the chief architect of the bill, said: "The president needs to tell me and the Congress and the American people exactly what is and what isn't acceptable. And then we move forward from there."

Donna Shalala, health and human services secretary, said the administration was committed to driving the tobacco law through Congress – but did not indicate any details it would support. "The important thing is that the president will be there, he will be the leader that pulls the final piece of legislation together," she said.

Meanwhile, the Federal Trade Commission revealed yesterday it was in the final stages of sending a report on cigar smoking to Congress. The FTC said it was gathering evidence from the cigar industry, which is not regulated by the same health warnings as cigarettes.

Cigar smoking has become increasingly fashionable in the US, with a number of smokers rising by 50 per cent since 1993, according to a government study published last week.

The National Cancer Institute said smoking cigars – which has become particularly popular among teenagers – poses just as greater risk of mouth, throat and lung cancer as cigarette smoking.

The report said cigars contained as much as 90 times the levels of carcinogens as cigarettes.

SINO-US RELATIONS PRESIDENT IS RELYING ON WARMER TIES TO CURB SOARING TRADE DEFICIT WITH CHINA

Clinton bets on softly, softly tactics

By Nancy Dunne in Washington

President Bill Clinton has gambled heavily on the proposition that warmer relations with Beijing will reduce the US trade deficit and lure China off the path of mercantilism.

US complaints over intellectual property violations, questionable technology transfers and textile transshipments have been played down as the president prepares for his second summit with Jiang Zemin, China's president, in June.

The administration is also fiercely opposing legislation which could create new problems: a bill moving through the House of Representatives which would impose sanctions on countries engaging in religious persecution.

But the pay-off must come soon. The trade deficit last year soared by more than 25 per cent to almost $50bn, and now appears to be rising at twice the rate of last year.

"The deficit cannot continue on its present path. It is politically unsustainable," said David Aaron, commerce under-secretary for trade, who this week is in Beijing to pave the way for the summit. "My view is that the Chinese leadership has begun to realise that increasing imports from the US is in both countries' interests."

With him are representatives from 18 US companies, whose presence sends a message of US expectations for "concrete" progress on the deficit. Five sectors are represented: insurance; engineering, design and construction; information technologies; machine tools; and project finance. Increased US imports in the five sectors, Mr Aaron argues, will help China deal with the Asian financial crisis and its own economic restructuring while reducing the US deficit.

China's insurance market, for example, now valued at $12bn, grew at an annual average rate of 33 per cent between 1993 and 1997. But of the 93 foreign insurance companies with offices in China, only eight have been granted licences. Twenty-three US companies have set up for business, but only two – AIG and Aetna – have received licences, giving the US a market share of less than 1 per cent.

"We want to convey to authorities that market access will support the kind of reforms they want to undertake," said Mr Aaron. A "dramatic expansion" in the insurance sector would mobilise capital for re-investment in China, while giving US companies business opportunities.

Washington also has hopes for increased sales in computers and telecommunications. Computer imports from mainland China last year grew to almost $4bn, while US exports rose to only $1.3bn. China has agreed to join the Information Technology Agreement, and US officials will push for an early phase-out of Chinese tariffs.

Progress towards China's accession to the World Trade Organisation may become a centrepiece of the summit. Mr Aaron said China's recent "comprehensive" tariff offers left "a number of areas of concern".

Although overall tariffs would be cut to less than 11 per cent, tariff spikes – ranging from 15 to 50 per cent – would remain. Discussions would also continue on foreign distribution rights which would enable deep penetration of China's market.

The administration will follow up the summit with intense activity. More than 40 trade missions, technical seminars and other events are planned for next year.

Pointing the finger: Clinton (right) is taking a softer line towards Jiang than on last year's US visit AP

City subway update: in a deep hole and still digging

Should the tunnelling stop? The idea has caused earthy debate to surface

The invocation of the most commonly accepted principle of hole management – that it is best to stop digging when you find yourself in one – has sent the short-lived peace in the Metropolitan Transportation Authority boardroom down the tubes.

Xavier Becerra, a local Congressman, stirred things up mightily last week when he popped over from Washington to remind the MTA of this cardinal rule. He flummoxed the factions with the assertion that work on the city subway system – years behind schedule and projected to cost more than $6bn – should be stopped and the money go towards trams and buses.

Such commonsensical notions sit ill with the political bigwigs, who see themselves as patrons of a grand-scale project key to their ambitions to make Los Angeles the very model of a modern city fit for the new millennium.

Grubbing up the roots of the conflict which have fed a bitter years-old debate, the Latino leader exposed to public view the gap between the vanity of local politicians, the real-world perceptions of those who bankroll them over on the east coast, and the travails of the main consumers of public transport in Detroit's favourite city.

His intervention, on behalf of "the most transit-dependent, the poorest and least-served areas of the county," reminded the MTA that it needs all the support it can get in Washington, where continued federal funding has been made conditional on the agency's coming up with an acceptable recovery plan.

Proposals to reform its spending habits last week sat unopened and undiscussed for the third board meeting in a row. The hapless author, Julian Burke, acting MTA chief executive, blinked non-committally as his friend, Mayor Richard Riordan, argued for his pet project, an unfinished $1.2bn line linking downtown with north Hollywood. LA had made itself a laughing stock by not finishing things it started, he said, and the Hollywood line was seen in Washington as a test of LA's ability to change its ways.

But old habits, especially the bad ones, die hard at the MTA. Dashing into the breach opened by the Becerra bombshell, board member Gloria Molina returned to a well worn theme. It was time for the the board to take back decision-making control from Burke, the fourth CEO in five years to find himself pinned in the political crossfire.

The 70-year-old turnround specialist was shoe-horned into the job of running the nation's biggest infrastructure project by Izzoner the mayor last summer after an executive search failed to find anyone willing to face the flak.

But there was another, doubtless unintended, thread to the arguments of the peppery Ms Molina, a county supervisor. She could not be a "yes" person for management as that would imply betraying interests of travellers and taxpayers, she declared. "This disorder must stop."

Off-loading politicians from the board was not the solution she had in mind, but their record should be recommendation enough for the notion to bear thinking about.

□ □ □

California's holy war against tobacco continues this month with a foray into the high ground occupied by the cigar smoker. "Cigars, the big new trend in cancer" is the line chosen to present the claim that a single stogie – of the scale favoured by President Clinton among others – is stuffed with as much nicotine as 70 cigarettes.

Letter from Los Angeles
Christopher Parkes

The TV commercial, one of a series planned, is the first concerted attempt by the state government to stifle a habit formerly confined to incorrigibles – smokers older and better off than youngsters.

The health services department blames an orchestrated marketing campaign, which has allegedly bought the allegiance of stars and TV and film producers who regularly place cigars in their screen and facial features. As a result, it says, the number of youngsters sucking the things has tripled since 1990.

As is its custom, the tobacco industry let the ad's unveiling pass without comment, but the anti-baccy lobby was not pleased. Everyone knew, said one campaigner, that banging on about health effects made little impact on the young. It was far better, he said, to stress the unattractiveness of smelly breath, yellow teeth and other side effects, so tastefully elicited in a local San Francisco initiative with the theme: "Cigars, they look like what they smell like."

□ □ □

The patient city councillors of Fullerton, Orange County, have tried and failed with subtle ploys to reclaim a dingy *cul de sac* from the grasp of young hooligans. Extra street lights and clean-up orders to the landlords in the 2300 block of West Baker Avenue have had nil effect. The Baker Street Gang members roister on, tagging every square inch with spray-paint and terrorising the neighbours.

Now it's time to get tough. With the blessing of local police, the council is to consider renaming the avenue Pansy Circle. This breath-taking initiative, supporters argue, will be enough to send the testosterone-loaded thugs running for cover.

"We don't want this to be an attractive area for the gang," said police sergeant Dave Stanko. "The other connotation besides a flower is something a gang wouldn't want to identify with."

BRITAIN

INVESTMENT UK SPEARHEADS DRIVE FOR FREEING-UP OF SALES WITHIN EUROPEAN UNION

Push for single funds market

By Jean Eaglesham

The UK government is spearheading attempts to introduce European legislation that would allow fund managers much greater freedom to sell funds throughout the European Union.

The UK Treasury has just completed a series of 11 bilateral meetings with other EU member states. Investment industry experts say that it has made fairly substantial progress.

Christopher Jackson, chairman of CJA Consultants, which advises on European policy, said: "The European Commission has been very keen to reform [this area] for a long time but its efforts fell foul of the member states. The UK government has been trying to broker a deal since it assumed the presidency [of the EU in January]."

The drive to create a single market for funds has been given fresh impetus by a new German pension product, the Altersvorsorge Sondervermoegen. The legislation to create this savings vehicle, passed on April 1, restricts it to funds from managers that are based in Germany.

France already applies a similar restriction to its Plan Epargne Action, a share savings vehicle. This contrasts with the Individual Savings Account, the UK savings scheme being introduced in April 1999, which offers tax breaks to UK investors on funds from companies based in any EU member state.

"While UK fund managers are trying to sell into the growing market for retirement savings, our foreign competitors are pulling up the drawbridge," said Marc Sylvain, managing director of Fidelity Investments. "It is very much a case of jobs for the boys in Germany and France."

Mr Sylvain said the political route of applying pressure to other member states was more likely to succeed than simply registering protests about perceived breaches of the Treaty of Rome.

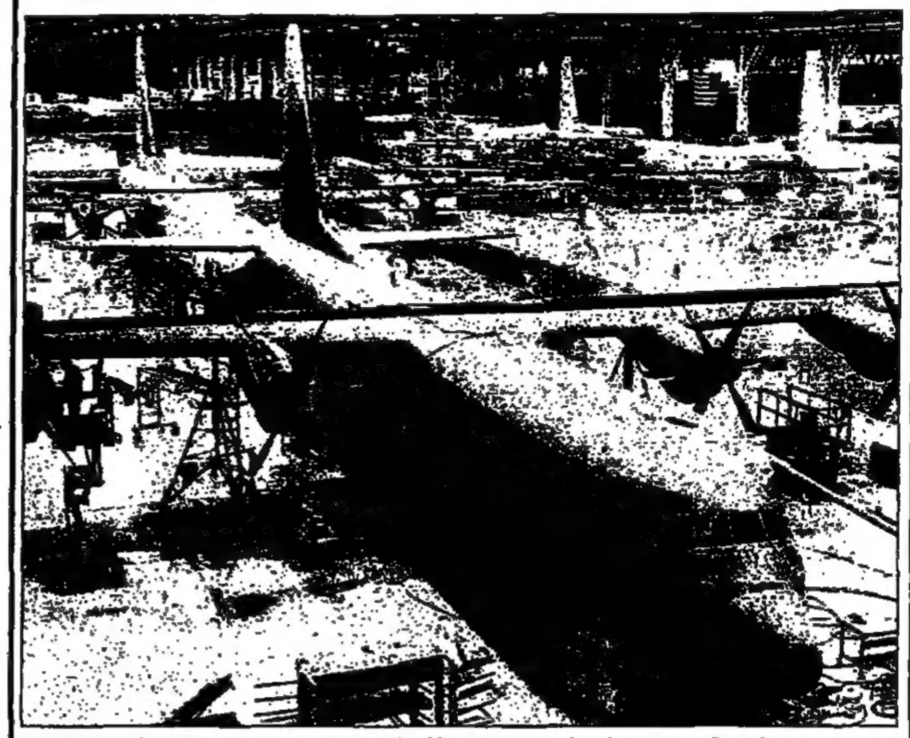
The Association of Investment Trust Companies, a UK trade body, lodged a complaint with the European Commission about an effective ban by Germany on the sale of non-German closed-end funds (such as investment trusts) in September 1992. The complaint is still being dealt with. "We are nearing the end of the process – we hope," said James Ross, company secretary at the AITC.

The UK government wants new legislation to replace the EU's 1985 UCITS, or Undertaking for Collective Investment in Transferable Securities, directive. The new directive would cover a broader range of funds, including funds of funds, derivatives funds and some cash and venture capital funds.

It would also adopt the "home state control" approach to funds that has already been used for a number of other financial services areas, such as banking and credit. This allows companies authorised by their home state (normally the EU country where their main operations are based) to sell products throughout the EU subject to certain controls.

This approach has been championed by the commission before, but blocked by some of the EU member states. But Mr Jackson said he thought the "chances of success look pretty good. The coming of the euro [the single currency being introduced on January 1 1999] has been a great incentive for loosening things up".

But Sheila Nicoll, director of legal and fiscal affairs at the Association of Unit Trusts and Investment Funds, warned: "I doubt if anything is going to happen enormously fast on all this." The UK government is understood to want to achieve a broad consensus on the new directive, but does not expect it to be agreed in detail until 1999 at the earliest.



A C-130J for the RAF under construction at Lockheed Martin's plant in Marietta, Georgia

Lockheed battles to avoid more delays to aircraft

By Alexander Nicoll, Defence Correspondent

Lockheed Martin, the US defence contractor, is attempting to avoid further delays in the delivery of 25 C-130J transport aircraft that are already set to be 18 months late.

Executives of Lockheed in Marietta, Georgia, where the aircraft are assembled, have said they have overcome engine stalling problems which delayed the Royal Air Force's £1bn ($1.6bn) order. It was also discovered late in 1997 that ice build-ups could cause directional problems, forcing modifications to the design of the tail fin.

Bill Bullock, president of Lockheed Martin Aeronautical Systems in Marietta, said Lockheed planned to deliver the first aircraft for testing at Boscombe Down, Wiltshire, in July, and the first operational aircraft to RAF Lyneham, Wiltshire in January next year.

But he said: "Nothing is guaranteed or absolute."

Lockheed will pay compensation, the level of which still has to be negotiated, to meet costs of maintaining the ageing C-130 Hercules aircraft that the new ones were due to begin to replace in mid-1997.

The C-130J has essentially the same airframe as older models of the 43-year-old transporter, but it has been radically overhauled with digital avionics and fly-by-wire systems, operated by a smaller flight crew using "head-up" displays. It can fly higher and land on shorter airstrips.

It has more powerful engines made by Allison, a US subsidiary of Rolls-Royce, and its propellers, made by Dowty of the UK, have six blades instead of the previous four. This combination changed the aircraft's aerodynamics, giving it a greater propensity to stall at slow speeds and to roll when doing so. Lockheed has introduced a "stick pusher" which takes over and automatically pushes the nose of the aircraft down if the pilot has ignored stall warnings. US military pilots who initially resisted the idea have now accepted it.

Unusually for a military aircraft, Lockheed is seeking to have the C-130J certified for airworthiness by the Federal Aviation Administration. Lockheed executives, who admit they underestimated the demands of this process and of tests required on different versions, are hoping to win certification in May.

Lockheed has orders for 83 aircraft from the US, UK, Australia and Italy but is hoping for more from the US and other customers seeking to replace the 2,200 C-130s it has previously made.

The RAF needs to order at least 25 more aircraft to replace its fleet and several manufacturers including Lockheed are competing for the order. However, Mr Bullock said: "Our focus is on getting the aircraft to the customer under the contract we have."

Former Coal Board chief dies aged 85

By Brian Groom

Sir Ian MacGregor, the Scots-born industrialist who became one of Britain's most controversial figures of the 1980s when he defeated Arthur Scargill's striking miners, died yesterday aged 85. He suffered a heart attack while staying with friends in Somerset.

As chairman of the National Coal Board during the 1984-1985 strike, following an earlier spell as chairman of British Steel Corporation, Sir Ian – who had built his career in the US – personified the battle for British industry's future fought in the first half of Margaret Thatcher's prime ministership.

Reviled by the left as a destroyer of jobs and communities, Sir Ian saw himself not only as attempting to resture the fortunes of Britain's biggest state-owned loss-makers, but as defending democracy from collectivism and union power. The miners' defeat was the final nail in the coffin of militant trade unionism.

Though their relations became distant after the strike, Lady Thatcher was the first to pay tribute to Sir Ian last night.

She said: "He brought a breath of fresh air to British industry and he had such a genial personality. He had a tremendous way of putting things. He made a real difference and I was very grateful when he came back to this country."

Old enemies remained implacable. Mick McGahey, former leader of the Scottish miners, said he sympathised with Sir Ian's family, as with any family that lost a father and grandfather.

But he added: "He was a class enemy as far as I was concerned."

Interest rate conflict not confined to Bank

Opinion is divided on whether the UK economy should be reined back, writes Richard Adams

It may be cold comfort for the Bank of England, but the rest of the country is as divided over the issue of UK interest rates as the Bank itself appears to be.

The Bank decided not to act on interest rates at its latest meeting on Thursday – although some members of its monetary policy committee wanted an increase. City and academic economists are similarly split between hawks calling for a rise in rates to head off a rapidly growing economy, and doves who see a slowdown already under way.

Official interest rates have remained at 7.25 per cent for the past five months. That should suggest a plateau has been reached – yet the MPC's most recent minutes show the committee evenly divided.

The divisions represent what Eddie George, the Bank's governor, calls the finely balanced condition of the economy. By some measures of activity – unemployment, growth in gross domestic product, service sector output and consumer spending – the economy continues to perform very strongly. But others – such as inflation, average earnings and manufacturing output – fail to provide any ammunition for those wanting a rate rise.

Complicating all this is the strength of sterling. The pound remains above three D-Marks, which makes British exports expensive. Manufacturers' profit margins are being squeezed, but the Bank welcomes the strong pound as an aid to keeping inflation in check through cheaper imports. Falling output from manufacturers also helps cool the economy and relieve inflationary pressure.

Yet many analysts – including those at the Bank – think that the pound's 30 per cent appreciation should have had an even greater impact on the UK's rate of inflation.

Kevin Gardiner, UK economist at Morgan Stanley, thinks domestically-generated inflation could be "significantly higher" than the official figures. "Inflation is 2.6 per cent now, and yet we know that the trade-weighted index has appreciated by a third again," he says. The UK has been effectively importing low inflation from mainland Europe.

Manufacturers' organisations, such as the Confederation of British Industry, have been vocal in calling for rates to be held or even cut to bring down sterling. Kate Barker, the CBI's chief economic adviser, says exporting companies will "breathe a sigh of relief" that the Bank did not raise rates. "But it would be better news still if the Bank of England had indicated that there was now a good chance that the next interest rate change would be downwards," she says.

Mr Gardiner says he is perplexed by the vocal business lobbying in favour of lower rates. "Maybe many of us in the City have more confidence in 'UK plc' than the CBI and other interest groups."

Darshini David, a UK economist at HSBC bank in London, says the financial markets are still wary of possible rate rises, and are likely to remain so in the coming months. But, although HSBC expects that rates have peaked, Ms David says: "Given that the Bank was only made independent a year ago, they may feel they have still got to prove their anti-inflation credentials."

A clearer picture of the economy's position may emerge in the week starting April 20, when the latest figures on public borrowing, inflation, unemployment and retail spending are released.

But the most important figure comes at the end of that week, when the first estimate of GDP growth in the first quarter is published.

The last quarter of 1997 saw growth remaining above trend at 0.6 per cent, compared with the third quarter. "My feeling is that probably GDP growth didn't decelerate in the first quarter," Mr Gardiner says. If so, the MPC will again have to consider raising rates at its next meeting, on May 7.

INSIDE TRACK

PROFILE JOHN REED, CHIEF EXECUTIVE, CITICORP

Engineer behind the bank's global quest

John Authers on the man steering the bank into Wall Street's biggest merger, after navigating a crisis in the early 1990s

John Reed, the chief executive of Citicorp, was not available for interviews this weekend. He decided to keep a business appointment in Buenos Aires instead.

In doing so, he turned down not only plentiful publicity, but also a trip to the Masters golf tournament in Georgia with Sandy Weill, chief executive of Travelers Group, and his partner in the biggest merger in the history of Wall Street.

The deal to form "Citigroup", unveiled last week, will create a company with assets of more than $700bn (£420bn), making it the world's biggest, most powerful financial institution, with businesses in every branch of financial services.

His decision to continue to visit the outposts of his empire was typical. In the 14 years that he has run the biggest American bank, he has travelled non-stop, convinced that its future lies in being a truly global institution. "We have one key imperative," he told analysts last year, "and that is to shift from a geographic thrust to a global thrust."

His reputation has never been higher. Last year Thomas Hanley, banking analyst at UBS Securities and one of the most influential followers of Citicorp's stock would justify recommending it with a simple: "It's John Reed's bank."

Yet it could all have turned out very differently. The undisputed wunderkind of American banking, Citicorp's youngest senior vice-president at 30, and its youngest chief executive at 44, Mr Reed was gripped in the early 1990s by one of the severest crises to hit a US bank. Citicorp came close to bankruptcy in 1991 and 1992, due mostly to mistakes made during his tenure. He admits the errors now: "Our problem was, of course, that we had a horrible real estate portfolio and not appropriate capital and reserves. Either one might have been OK, but the two together were really quite difficult."

Mr Reed, notoriously fuelled by a favourite blend of coffee, navigated Citicorp through the crisis, with some savage restructuring, which cost the jobs of some of his colleagues and forced the temporary abandonment of growth plans. His friends say the experience, which coincided with divorce from his first wife, changed him.

It certainly changed his attitude to the press. His regular contact with the press has since been limited to an annual briefing for New York journalists and analysts in the auditorium at Citicorp's Park Lane headquarters. Unusually for an executive facing analysts, Mr Reed appears to answer each question honestly, speaking rapidly, with humour and candour, and often thinking on his feet to work through arguments.

He rarely uses the language of banking, preferring to borrow concepts from other industries, and to talk about the possibilities of new technology for all areas of the bank.

His first main task at Citicorp was to design an internal management information system, which was still in use 17 years later when he became chief executive. He headed the bank's operating group, transforming it from a set of clerical functions into a processing "factory", using ideas from industry.

The management skills he revealed during the crisis were formidable

By 1973, he headed the consumer business, and soon persuaded the bank to fund an expansion in this area – creating the huge revenue streams that would eventually save him from bankruptcy at the hands of real estate loans. Again, his fascination with new technologies was evident, as he took a lead in introducing automated teller machines and credit cards. He saw the potential for credit cards to generate profits on their own, and built the world's biggest credit card business.

Since taking over as chief executive, the preoccupation with new technology and retail banking has remained, with the growth of Citibank as a consumer bank throughout Asia and aggressive forays into online banking. Again, he borrows his ideas from other industries, suggesting that Citibank is seeking to emulate companies such as Gillette and Sony by building a global consumer brand. Merging with Travelers is the logical culmination of this strategy, with the wide array of extra products the merger can bring to the wealthy customers Mr Reed has cultivated across the developing world.

Arguably, these preoccupations laid the foundations for Citicorp's credit crisis. Critics say he is too interested in the big picture, and does not pay attention to details. He allowed the bank's real estate loan portfolio to expand too quickly, growing at a compound rate of more than 20 per cent throughout the 1980s. He did nothing to alter the bank's capital structure which left it with little shareholders' equity in the event of problems, or to rein in the loans the bank was making to highly geared leveraged buy-out companies.

But the management skills he revealed during the crisis were formidable. During the real estate loans crisis, he took the weight of the problem on his own shoulders, stripping out layers of management and leaving a small group of 10 senior managers around the bank who answered directly to him. He flew around the world regularly, while the crisis committee had to meet with him in New York once a month.

Now, the crisis may be over, but the bank's managers are no longer as dispersed and autonomous as formerly: "We agreed that we needed a very disciplined strategy that would be binding to all of us. In other words, not something we do in one place and then the guy in another place does whatever he wants, which had been our tradition."

But there is still a broad management structure. Several figures have emerged as possible successors over the past few years, only to disappear in reshuffles. At 59, he has no clear successor, and remains totally in control.

This leads many analysts to question how Mr Reed can fit into the new organisation. His management style does not appear suited for sharing the responsibilities of chief executive and chairman, particularly with a man such as Mr Weill, who is a more hands-on manager.

Some believe he will leave within two years. One friend, digesting the news over breakfast last Monday, said: "So John's getting out. I knew he wanted to leave with a bang." Others, however, believe that Mr Weill, six years Mr Reed's senior, may have agreed to leave at a certain point.

But some middle way is possible. Mr Reed may be happy to leave Mr Weill with the job of finding cost savings in Citigroup's core Wall Street operations, such as foreign exchange, fund management and derivatives. In the meantime, he can devote himself to the long-term task of creating the systems that will allow the company to package and market products as diverse as bank accounts, insurance policies and investments.

And Mr Reed himself, before he returned behind the veil of silence, seemed keen. He said: "We are creating the model."

THE ESSENTIAL GUIDE TO JOHN REED

John Reed was born on February 7, 1939 in Chicago but grew up in Argentina and Brazil and is still fluent in Spanish and Portuguese.

Childhood problems with dyslexia did not prevent him later studying at Massachusetts Institute of Technology. He has had an interest in technology ever since. In charge of credit cards for Citicorp, he commissioned a contest with a $5,000 prize for the best attempt to counterfeit a magnetic stripe, which was won by a pair of students using a steam iron.

Before joining Citicorp, he spent two years in the US Army Corps of Engineers in Korea, a year as a trainee with Goodyear Tire & Rubber, and a year gaining a masters degree at MIT's business school. His rise at Citicorp was meteoric. His work usually involved systems or consumer banking. On becoming chief executive at Citicorp in 1984, he said: "This job is like getting to paint the Sistine Chapel."

How has he done for shareholders? Very well, although they have needed patience. He presided over a fall in the share price of more than 75 per cent from $35.50 in 1989 to $8 during the worst of the company's troubles. At its peak last week, it passed $180. He took out a bank loan to buy shares shortly before the real estate loans crisis hit in the early 1990s, and earlier this year he was granted options for 300,000 shares in the bank which he can exercise when the price hits $200, netting him $24m – so he'll have noted both the fall and the rise in the share price as much as anyone.

How does he rate his bank as a brand? "Among financial institutions we probably have the most globally recognised brand, but that's like saying there are 10 midgets, and you are the tallest of them."

His favourite drink is coffee. During Citicorp's crisis years, all the bank's national headquarters tried to keep the chief executive's special blend ready for him in case he dropped by in a hurry.

LUCY KELLAWAY

A deservedly dead dud idea walks again

Underlings worldwide may not relish the prospect of hanging around with their often tense managers at in-company pubs

Management By Walking Around is a dud idea that has caught on because it sounds good and is dead easy to do. All over the world managers are prowling around offices in the fond belief that doing so somehow makes them more in touch with their workforces.

I once worked for someone who was an MBWA devotee – and all it did was make everyone in the building jumpy. As luck would have it, every time he crept up behind me I was busily writing a shopping list.

It was therefore good last week to see Alan Bishop, the head of Saatchi & Saatchi in London, suggesting a superior alternative: Management By Hanging About. With MBHA there is no question of trying to catch people out: instead the idea is to get managers talking to underlings in a relaxed and casual kind of way.

Still, MBHA is not for everybody. The thought of enforced hanging out sessions with an uptight manager is a distressing one. I would advise any manager who even suspects they may not be clubbable to desist; they will only embarrass and upset their underlings.

More generally, Management By Hanging About presents a problem of venue. In most offices there is no place to practise it – the lavatories may be the best bet, but they discriminate against those who do not happen to be the same sex as the boss. Saatchi has come up with the perfect solution: an office pub, and one can only admire the company for it. When every other organisation is busy banning booze and boasting about its high standards of professionalism, it is good to see one company not only having an in-house pub, but declaring that hanging out in it is a top management priority.

***

Still on the subject of Mr Bishop's management tips (as expounded in the FT last week) he holds up Saatchi as living proof of the theory that you can get rid of the top tier of management and it does not make any difference.

Surely he underplays this popular idea. Disaffected employees everywhere believe that if you got rid of top management things would get better. And some shareholders seem to agree with them. Look what happened last week when poor old Sir Brian Moffat announced that from January he was no longer going to run British Steel: the shares instantly went up by 4 per cent.

***

What sense are we to make of Xerox's decision to rid itself of 9,000 people? According to Jack Kelly, an analyst at Goldman Sachs, it means the company is "staying ahead of the curve". And which curve would that be, Jack? The curve of the earth's surface? The yield curve? The learning curve?

Over the past few years this phrase seems to have crept into the language, but what does it mean? I used to think it had something to do with monetary policy, until I saw it as the subtitle of George Soros's modestly titled biography, *Soros on Soros*. Inside, Mr Soros offers no explanation of precisely what it is that he is staying ahead of, but as the thrust of the book is that he is ahead of everything and everybody, perhaps it does not matter.

***

One company that is certainly ahead of the curve – the recruitment advertising curve, that is – is Price Waterhouse. Last week it tried to woo tax specialists by using humour. In the world of job ads this is pretty radical. Until now, high powered recruitment advertising has been an unreal realm in which every "successful candidate" is a "top calibre individual" with "outstanding interpersonal skills", and in which all companies offer "attractive remuneration packages".

Amid this stilted, turgid prose it was odd to see the following big headline: "If Price Waterhouse are going to let me work on the pick of their international business, I'm Lord Lucan". Admittedly this may not send every tax specialist in town scurrying for a job. But it is an improvement on the status quo.

***

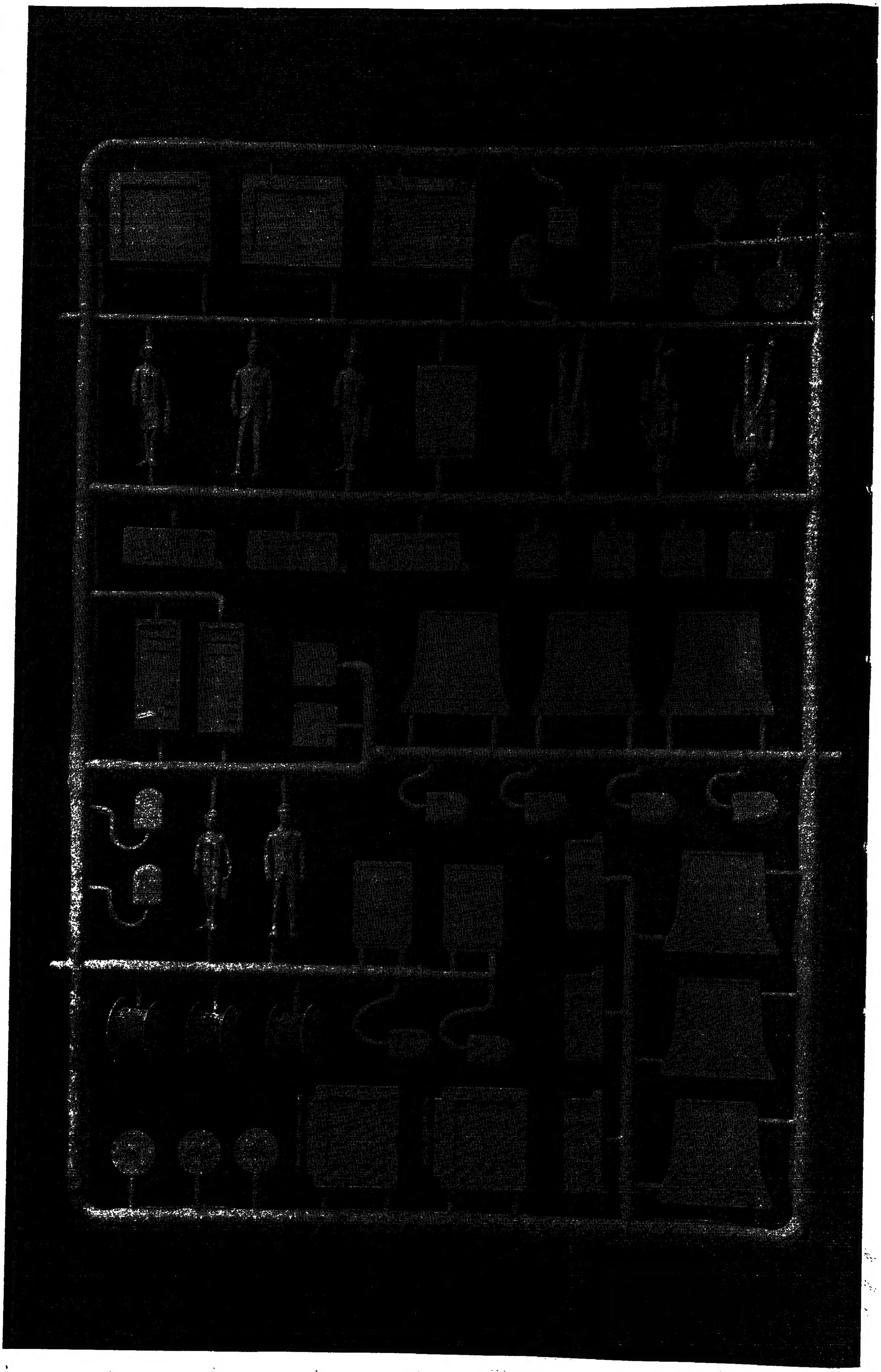
Been anywhere nice over Easter? Oh dear! You went away and spent all your time worrying about your family? You were fretting about the journey home? Anxious about running out of money? You missed your cat? Hated all that unfamiliar food?

According to research sent to me last week, an astounding 96 per cent of people find holidays stressful. Many are such basket cases after returning from a break that they need another holiday to recover.

The research comes complete with advice from a psychologist on how to make holidays less traumatic. Apparently, we should pace ourselves, conserve our strength, take a short walk on arrival at our holiday destination to clear our heads, and not unpack everything right away.

I know we are all meant to be committed to lifetime learning, but it would be nice if there were some areas of our lives – like how and when we unpack suitcases – that we could fence off as learning-free zones.

You may be wondering who is responsible for all this guff. The answer is BT Globalcard. The ultimate remedy to holiday angst, argues BT, is to phone home more often. I find myself among the 4 per cent who actually enjoy holidays. And what I enjoy most of all it being beyond the reach of the telephone.



هكذا من الاصل

هكذا من الأصل

WANG™ GLOBAL
Networked Technology Services

1200 desktops.

700 laptops.

The London office.

Maude from Accounting.

212 printers.

The internet.

Edwin from R&D.

The Hong Kong office.

Audrey from Finance.

The intranet.

The New York office.

88 servers.

Billy from Sales.

OK, Ready? Put them together.

Assembling an IT network for a worldwide company is a tremendous endeavour. Servicing it can be an even more colossal task. Perhaps you should look to Wang Global, a networked services and solutions provider, with an annual turnover of over $3 billion. We will integrate your entire company's infrastructure; desktops, software, peripherals, into one remarkably seamless network. Then manage and upgrade that network as your company grows. And grow it will. 0800 731 0145. http://www.wang.com

INSIDE TRACK

TRAVEL UPDATE

Helsinki airport tops European convenience poll

Helsinki has been rated Europe's most convenient airport by business travellers in a poll by the International Air Transport Association. Included in the survey for the first time, it narrowly beat Amsterdam's Schiphol and Zurich, which finished in joint second place, followed by Manchester and Copenhagen. Bahrain took top spot in the Middle East, with Abu Dhabi, Kuwait, Muscat and Dubai all within a whisker of each other. Singapore's Changi was voted best in Asia and Australia, followed by Melbourne and Taipei.

In North America, Calgary emerged ahead of Atlanta and Vancouver, which tied for second place, with Cincinnati and Chicago O'Hare in fourth and fifth places. The poll is conducted among international scheduled passengers.

Cholera alert in Latin America

Cholera has now broken out in five Latin American countries, warns the World Health Organisation. It blames the problem on storms and floods, caused by El Niño, that have been contaminating water supplies. So far Peru has suffered most cases but the disease has also been reported in parts of Bolivia, including La Paz, Ecuador, Honduras and Nicaragua. The WHO expects other countries in the region to be affected by a rise in the incidence of cholera in coming months.

Security advice for conferences

Security has become a central issue in the choice of destinations for conferences and incentive trips, according to a survey. An overwhelming 93 per cent of organisers reported incidents including the theft of laptops from unlocked meeting rooms, handbag snatching, muggings and pickpockets relieving delegates of their wallets at crowded receptions. The survey was carried out by EIBTM, which runs the annual European Incentive and Business Travel and Meetings Exhibition at the Palexpo centre in Geneva. Of the 200-plus event planners questioned, over half said they now warned travellers about such hazards in pre-trip briefing notes. They suggested a number of ways to tighten security, including the distribution of bar coded name tags and strict adherence to a "no badge, no admittance" rule. EIBTM recommends organisers should consider providing equipment such as personal safety sirens. During this year's show, from May 12-14, it will run a "security clinic" at which experts will give advice on how to reduce the risks.

Debonair adds German route

Low fare UK carrier Debonair launches another assault on the German domestic market with a new scheduled service from Düsseldorf Express airport to Hamburg this week. Single fares will range from DM159-DM209 ((£52-£69) depending on how early you book. That compares with a one-way fare of DM368 offered by Lufthansa, which flies from Düsseldorf itself.

Roger Bray

BUSINESS TRAVEL AIR LUXURY

Flying into the comfort zone

Fairlines International offers an all-frills business service, writes **Gillian Upton**

No frills airlines have wooed the cost-conscious business traveller and now one entrepreneur has seen scope in an all-frills business class-only airline.

Fairlines International is flying between Paris, Milan and Nice in the peak morning and evening slots, into main hubs and offering a level of comfort only dreamt of before.

The fledgling airline is leasing MD81 aircraft designed with only 72 seats rather than 130 to 169 normally. It means each leather-clad seat offers an unparalleled 43in seat pitch, compared with 32in on Air France and 33-34in on Alitalia. Seats are arranged two abreast. Fares are on a par with Air France and Alitalia.

Additional wardrobes in the back and front allow for over-sized suit carriers, briefcases and laptops that do not normally squeeze in. Passengers can also walk on board with suitcases. This has shortened check-in time to 10 minutes.

Hot food is offered for every meal and a lounge at the back of the aircraft has telephones in the arms of sofas to give privacy. Passengers will soon be able to tap into live financial information via a laptop-sized touch screen in the centre armrest of regular seats.

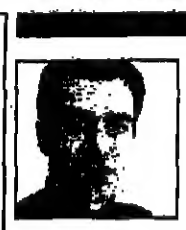
Fairlines is the brainchild of 31-year-old Francois Arpels of luxury goods maker Van Cleef & Arpels. He owns 51 per cent of the company; the remainder is in the hands of one Asian and three US investors.

"It aims to give the passenger as seamless a service as possible," he says. "Companies are going back to flying business class and we've cherry picked the best class, routes and times."

There are no departure lounges but Mr Arpels says they are unnecessary with a virtual turn-up and board arrangement. There is a frequent flyer programme that awards one free round trip for every five flown.

Big users can negotiate corporate discounts of 5-25 per cent. Aerospatiale, Arthur Andersen, Whirlpool and Siemens have already done so.

Passenger numbers have been growing slowly and Fairlines claims to make a profit from 10 passengers as the average ticket price is higher than on a two-class airline. Interline arrangements with Air France and Cathay Pacific ease journeys for transfer passengers.



TIM JACKSON
ON THE WEB

Setting up a corner shop on your desktop

A UK start-up has created 'commerce in a box' for cheap internet trading

Eighteen months ago, a Silicon Valley consultant and entrepreneur called Richard Adler pitched a brilliant business idea to me across a dinner table in Berkeley, California. Online trading, he argued, was the way of the future. Almost every company that sold to the public today would need to use the internet tomorrow. Why not create a software product that would deliver 'electronic commerce in a box' – a $99 starter kit to allow even the tiniest business to sell securely over the web?

Two years later, an English start-up called Actinic (*www.actinic.com*) has put this vision into practice. Actinic Catalog, a software package priced at £349 allows anyone with a basic consumer internet account to open an online store.

Instead of the business maintaining a costly leased-line internet connection, Catalog works with a dial-up account. It can offer full shopping functions using standard HTML pages. And instead of setting up a database on a computer owned by an internet service provider – which raises security risks and practical management concerns – the package allows you to keep data on your own desktop computer.

Once you hear it, the idea behind Catalog seems obvious. Every day, the business owner updates a database with information on what is available and at what prices.

On the site, the information appears as straightforward HTML pages.

Customers' orders are taken using scripts written in the common gateway interface.

So how does this arrangement deal with the all-important issue of credit card security?

This is the clever bit. Actinic Catalog downloads a mini-program to the customer's desktop – either as an ActiveX control or as a piece of Java code – which encrypts the order before sending it across the web. It can then be stored on the web site and forwarded to the business for decoding on arrival without any further security arrangements.

What makes this approach particularly useful for small businesses is that by doing away with the usual leased line, secure server and database, Actinic Catalog dramatically reduces costs. It also appeals to the psychology of small-business people, who are unfamiliar with the idea of storing important business information on a web server hundreds or even thousands of miles away.

Actinic is the creation of two British entrepreneurs, both aged 42. Chris Barling, formerly of Reuters, worked until 1996 as head of Mercury Communications' internet policy group. Kevin Grumball is a programmer of long pedigree, starting in the group at MicroFocus that wrote an industry-standard implementation of the COBOL programming language.

They chose to call their business Actinic because it sounded scientific, began with A (hence early in alphabetical listings), and was available as a domain name. The two men financed the business themselves to the tune of £100,000 before selling 9 per cent of it to a local businessman for £110,000.

So far, Actinic Catalog has few competitors. Other companies offering low-end electronic commerce products include Mercantec and Intershop, but Mr Barling claims that none offers such a low price and none combines the dial-up approach with Java or ActiveX for encryption.

"We chose this price point because it's about the same cost as a fax machine," he explains. "There have been huge electronic commerce pilots in Britain, most prominently BarclaySquare and eChristmas, but several of them have generated no more than a few hundred orders. At our software prices, small businesses could count five sales a day as a success rather than a failure."

tim.jackson@pobox.com

Mohamed Wansa

On March 31 1998 we published an article under the headline "Cargo cheats receive shot across the bows". This report referred to a Lebanese trader, "Mohamed Wansa".

He is Mohamed Kamal Wansa who was trading both as Melbourne Enterprises and D. & M. Impex.

We have been asked to make clear that the above mentioned Mr Mohamed Kamal Wansa is no relation to and has no connection with Mr Mohamed Wansa of United Commercial Company S.A.R.L. of Beirut, Lebanon and La Guinéenne D'Industries and Wansa Trading S.A.R.L. of Conakry. R D Guinnée.

هكذا من الأصل

هكذا من الأصل

BUSINESS EDUCATION THE COMPANY-SPONSORED MBA

Flemings goes it alone

A custom-built programme fills the merchant bank's needs, writes **Della Bradshaw**

For several days each week a bagpipe player serenades visitors to Flemings merchant bank in the City of London. It is just one of the traditions for which merchant banks are renowned, but an image Flemings is trying to shed. As part of its modernisation plans, the bank will begin its own MBA course in September.

The need for management training was identified by Paul Bateman, chairman of Flemings Asset Management, when a number of issues began to coincide.

First, many employees were taking MBAs individually at a bad time in their careers. Often they never came back; for those that did, the cases they had been taught were often irrelevant to banking.

Second, Flemings had grown from a Scottish merchant bank into an organisation with 75 offices in 40 countries – many set up through joint ventures – and just under 8,000 employees. "We wanted to build peer group relationships and develop a common vocabulary," says Mr Bateman.

The MBA also filled a gap between the basic training and Flemings' senior management courses.

It was Mr Bateman's decision to ask Royal Holloway college, part of the university of London and a relative newcomer to management education, to bid to co-ordinate the programme. One faculty member from Royal Holloway, senior lecturer David White, now spends two days a week at Flemings as programme manager.

Although the programme will be ratified by the university of London, it is not a typical executive MBA programme, explains Mr White. "If you're running a programme with people from around the world you can't expect them to turn up one evening a week."

Instead, the programme will be divided into four basic courses, each taking six months: core business functions; strategic management; finance and investment; management and organisations. Each student will then complete a project.

Many of the courses have been tailored for the financial sector. Managing risk figures prominently.

Each of the four courses will be held at different universities – in Japan, the US, Hong Kong and London – with a two-day day session at the beginning and end in Paris. The plan, says Mr Bateman, is to build a "virtual university", where a single company works with a handful of universities.

The four plenary sessions will be held after the participants have studied the module using distance learning technology. The first three sessions will be spent revising the unit in groups and then there is a three-hour examination. The rest of the time is spent setting the scene for the next element of the course. Local groups meet in the middle of the six-month period of study.

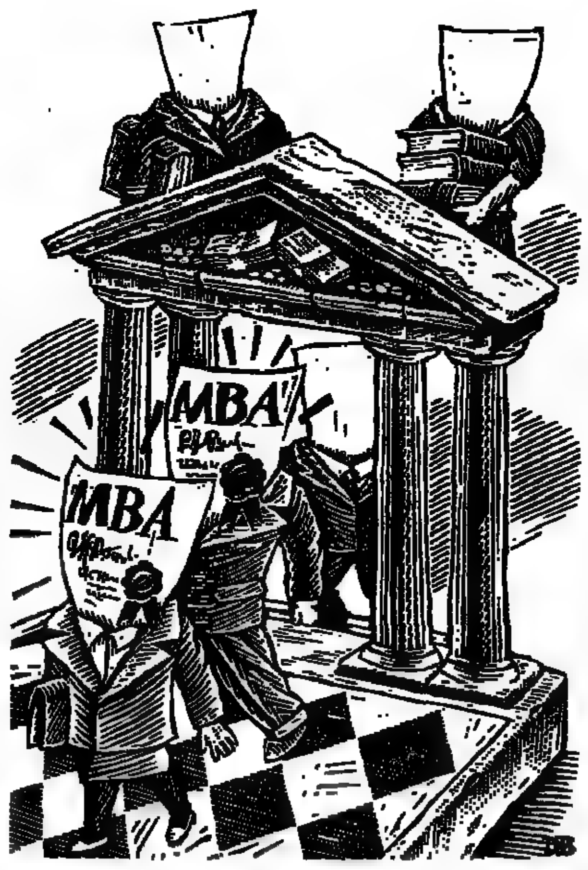
Keith Griffiths, Flemings' training and development director, says they have been pleasantly surprised by the number of applicants for the 25 places on the programme, including several from Hong Kong, Russia and the US. Because local managers have to vet their staff, only the top tier get through to the final selection process. As well as the sponsorship of their senior managers, applicants have to be between 25 and 35 years old, have worked at least two years for Flemings and have three years financial experience. They have to sit the standard business school entry test, GMAT, and achieve a score of 550.

Some employees have applied for the programme but have deferred entry until next year. Mr Griffiths says each participant is expected to do up to 10 hours' work each week outside the office so it is understandable that for many the workload is too heavy. But, he says: "The people we want on the programme are the people who are under pressure at work. They're the up-and-coming people."

Although all the course material for the 2½ year programme will be written before the September start date, Mr Griffiths is happy it will be up-to-date. "The quality of these people is such that they'll let you know if it's not working."

The drawback of a company-sponsored MBA programme – compared to the traditional open enrolment course – is generally perceived as being portability: a company scheme, tailored to one company or sector, may be less relevant to a manager in another company or sector than an open programme.

But with the majority of employees who leave Flemings taking up positions with rival banks, the qualification is likely to be as useful at another bank as at Flemings. The challenge, says Mr Griffiths, is for Flemings to retain their staff. "The key is three years down the line. Can we deliver a position that is appropriate for these people? If we don't, we deserve to lose them."



NEWS FROM CAMPUS

Three-way combination

Three European business schools have combined to develop an MBA specialising in financial services.

The MBA in Financial Services and Insurance, which will begin in January 1999, has been developed by Nijenrode University in the Netherlands in collaboration with the De Vlerick School of management at the University of Ghent and the University St Gallen in Switzerland.

The two-year executive programme is aimed at participants with between 10 and 15 years work experience.

Nijenrode: Thibeau@nijenrode.nl

Ross and French go to Sloan

The Sloan school of management at the Massachusetts Institute of Technology has persuaded two of Yale's top finance academics to join the faculty. Both will take up their positions on July 1.

Stephen Ross, inventor of the Arbitrage Pricing Theory, is presently professor of economics and finance at Yale and will join the Sloan school in a similar role. Kenneth French, professor of management studies and finance at Yale, will join MIT as professor of finance.

Sloan: web.mit.edu/sloan/www/

Bath awards scholarships

The University of Bath school of management in the UK is awarding more than 20 scholarships of £1,000 each to students studying on its six different MScs in management. The degrees are in management, management and strategic information systems, management with human resource management, management with marketing, management with financial management and management with accounting and information systems.

Bath: UK (0)1225 826742

Information for News from Campus should be sent to Della Bradshaw, The Financial Times, One Southwark Bridge, London SE1 9HL. Tel. 44 171 873 4673 Fax 44 171 873 3950

RALPH ATKINS
FILE FROM BONN

Love, anxiety and the family favourite

Times change, but some tenets of German life will always adapt

They are cooed and fussed over. On a Saturday, they are scrubbed and tidied, ready for showing off to neighbours, friends or admiring relations. A married couple will typically have two. Once a year or more, they are taken on holiday abroad. Their performance is noted encouragingly – and tested regularly.

The German love of cars is undying. Here in the modest Rhineland city that for another year is home to Germany's government, the ratio per 1,000 inhabitants is among the highest in the country; the proportion of armour-plated Mercedes would be beaten by few other cities in the world. From the backseat, you can dream how politics should be: pistons pulling in harmony, systems functioning automatically, a cosy life in the fast lane. Out on the autobahns, where speed restrictions do not apply, auto adoration is unadulterated.

Or is it? Germans' relationships with their cars have become volatile and even masochistic. A proposal from the Green party that petrol prices should be increased from DM1.5 to DM5 (£1.60) a litre to reduce consumption triggered a wave of criticism from political opponents – but then a wave of soul-searching as the main parties pondered whether they should indeed stop cars wrecking the environment.

One moment, heads nod with approval at Germany's takeover of Rolls-Royce Motors (not known for its economy cars). Then last week, Chancellor Helmut Kohl's Christian Democratic Union comes out in favour of higher energy taxes, albeit more modest than envisaged by the Greens and only within a European Union framework. Meanwhile Greenpeace, the environmental lobby, releases unpublished independent research suggesting rises in petrol prices would have little overall economic impact.

It all seems an affront to a basic tenet of German life. As Andreas Zimmerman of ADAC, the German roadside assistance club, puts it: "Motoring is always a sign in Germany of affluence and status."

Motor oil also lubricates the body politic. Konrad Adenauer, who became chancellor after the war, built the first motorway between Bonn and Cologne, in 1932 – the idea was later seized on by the Nazis. Gerhard Schröder, the Social Democrats' chancellor candidate in September's federal elections, is a member of Volkswagen's supervisory board.

Studies by Watson Wyatt, the international employee benefit consultancy, on the types of cars driven by executives details a workplace hierarchy: a BMW 730i for a chief executive; Mercedes C180 for a senior market researcher; a VW Passat for a customer services specialist. "In the big marketing and high-tech companies there is more emphasis on BMW," says Bob Speri, senior consultant at Watson Wyatt. "In manufacturing perhaps they lean more towards the traditional Mercedes." But it is also about aspiration. "The Germans always seem to be asking for one higher level of car than their management is prepared to provide."

Proposals to increase energy taxes are not the only threat to motoring culture. Around Bonn speed limits as low as 30km an hour have been introduced in residential areas, reducing any half-decent German car to growling like a lion on a leash. There are rules forbidding car washes on a Sunday (although low-tech buckets of water are allowed). Only this month, stricter rules were introduced for the disposal of old cars. Add to that the pressure on the autobahn network caused by public spending squeezes, the increasing congestion, and the higher parking charges imposed by cash-starved local authorities, and it all looks very negative.

Is it infanticide? Not necessarily. Car industry enthusiasts gush about how unrestricted speeds on the autobahns led manufacturers to develop fast yet relatively safe cars. Now the Green party is arguing that higher petrol taxes would produce a new generation of fuel-efficient vehicles. Its calculations assume widespread adoption of the so-called "three-litre" car – one that can travel 100km on three litres.

Look around Bonn at the fleets of black limos, however, and it all seems slightly demeaning. Mr Zimmerman of the ADAC says a three-litre car "is possible but it won't sell because such a vehicle is a small car. There is only room for an emergency wheel, not a proper spare. A car that has only an emergency spare wheel won't sell". It is a good point. How would the family travel to Italy for the summer? How could a three-litre car keep up in the fast lane? For now, says Mr Zimmerman, "the car remains the loved child – but it is not used as often".

TECHNOLOGY SPEECH RECOGNITION SYSTEMS

His master's voice takes the driving seat

Driverless cars may lie further ahead, but soon motorists will be 'ordering' their vehicle to play a CD or navigate a route, **John Griffiths** writes

A former minister in Britain's ousted Conservative government complained recently that the gloomiest reminder of being out of office comes when he unthinkingly leaps into the back of his car, only for it not to pull away from the kerb.

Given enough time, suggest the more optimistic automotive industry technologists, that particular frustration may disappear. Motorists a decade or two into the 21st century may indeed be able to climb into the back of their cars and simply issue the order "home, Rover".

Many of the basic technologies allowing a vehicle to drive itself are falling into place. Satellite navigation is already in the marketplace. Collision-avoidance systems, with computer control of engine, brakes and potentially steering will be available soon. Even three years ago Formula One racing cars were becoming programmable to drive themselves around the track, until their electronic technology race was red-flagged by motor sport authorities.

In short, the obstacles to realising the self-driving car are already almost as much concerned with legal liability as with technological capability.

A driver telling his or her car where to go is one of the logical ultimate applications of voice-recognition systems. But in the meantime their use is growing at a rapid rate for less ambitious functions, such as driver control of individual vehicle features, or for the car itself to convey useful information by means of synthesised speech.

Voice recognition is still in its relative infancy. But it is rated by leading car and components producers as one of the most useful and potentially marketable of automotive innovations.

Initially seen in cars only as a means of conveying "hands-off" dialling instructions to mobile phones – wrong numbers a speciality in early days – voice commands are now calling the tune in more diverse equipment.

Pioneer's CD-VC50 voice-recognition system, for example, when connected to the car's CD player, allows drivers to simply press a button and speak the name of a singer or track for their selection to be played. Comprising a hidden interface unit, a wired remote-control system and a small microphone, it sells in the UK for £350 on its own or for £500 as a package with Pioneer's 50-disc CDX-P5000 player.

Other audio system makers are following its lead, in recognition of the safety factors involved. A driver's hands belong on the steering wheel, not fiddling with mobile phones or other equipment, safety campaigners stress.

Similar considerations lie behind the development by Visteon, the semi-autonomous components arm of Ford, of voice-recognition systems with a range of applications expected to appear in Ford's and some rivals' vehicles of the near future. Visteon's VACS (voice-activated control system) will appear in a production car next year, say company executives, although they will not yet identify which one.

Computers will be so good that drivers will . . . 'discuss' route alternatives with them

Its driver will simply press a button on the steering wheel to telephone, request a CD selection or even set heater or air conditioning levels. Better yet for the many drivers coming to realise the benefits of satellite-based route guidance systems, VACS will end the chore of keying in manually the precise destination before a driver sets off. Just to ensure there are no misunderstandings, VACS confirms the receipt of instructions for any of the equipment by repeating it via voice synthesis.

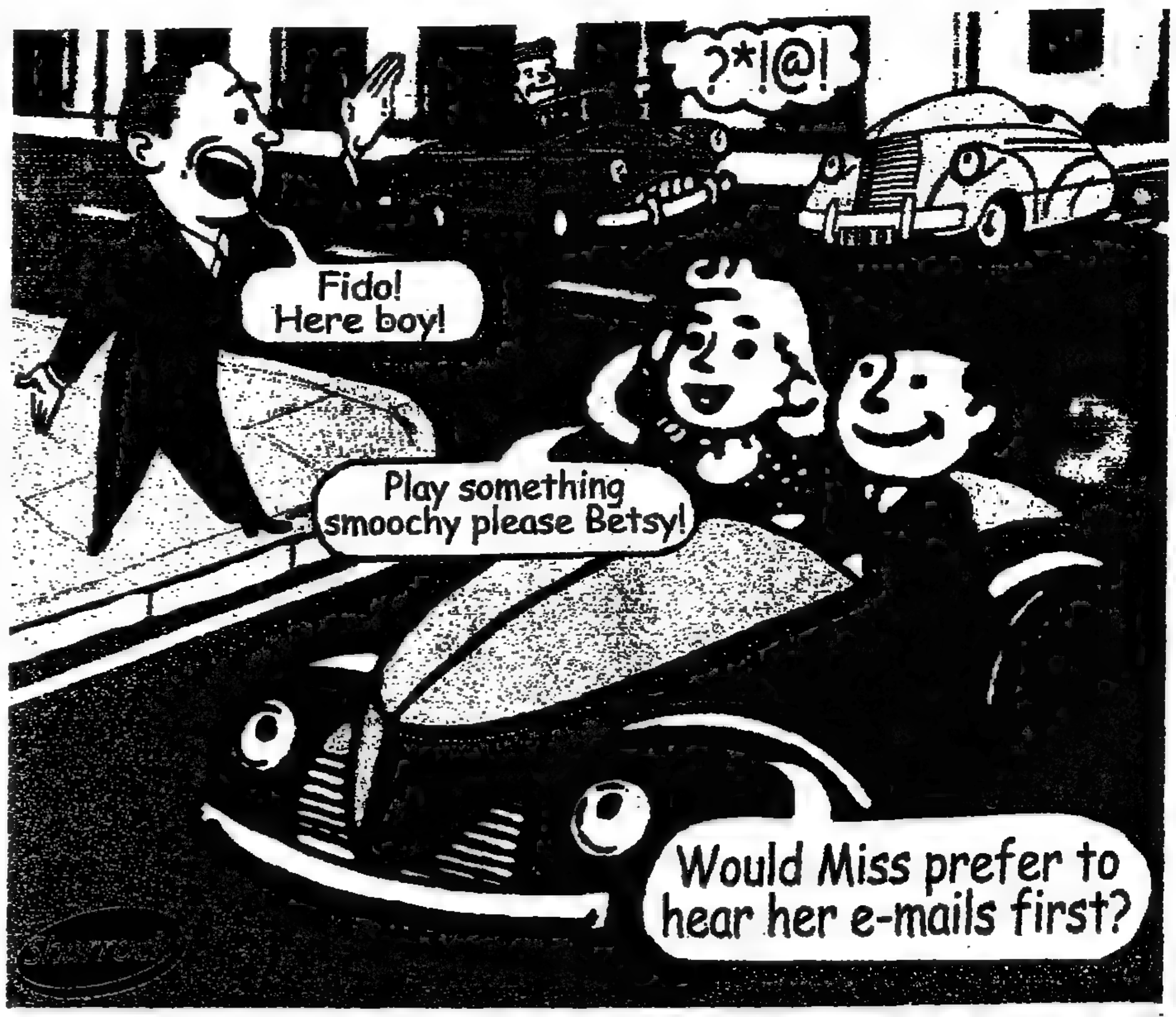
VACS also does not have to "learn" an individual's speech patterns. Visteon claims it is fully "speaker independent", understanding a variety of speech patterns, languages and dialects. The system uses digital noise suppression – requiring several microphones inside the vehicle – to filter out extraneous noise that might confuse the "dialogue". "VACS allows drivers to do what they're supposed to do – drive," says Charlie Szuluk, Visteon's president.

This year the first BMWs with voice control of audio and telephone systems are emerging. But this is just the start. Within three years, say the company's research engineers, the voice-recognition and reproduction systems of its on-board computers will be so good that drivers will be able to "discuss" route alternatives with the car's CARIN satellite navigation system. That is when the computer is not taking dictation or reading out the e-mails or faxes it will be able to transmit or receive via an on-board modem.

Fanciful? Not a bit. Ford, for one, has already combined with both computer microprocessor maker Intel and Microsoft to integrate such functions in a Windows-based on-board multimedia system called ICES (information, communication, entertainment, safety and security).

General Motors, some of whose higher-specification North American cars are fitted with the OnStar system, has developed an on-road support operation that allows drivers to communicate, via voice-activated telephones, with manned OnStar centres. These provide services from breakdown assistance, to advising of the nearest McDonald's and making hotel, restaurant or airline bookings.

BMW insists, however, that it will not necessarily exploit all the capabilities. "It is perfectly feasible that a car can be trained to respond to verbal commands such as 'turn left here', making the steering wheel redundant. But the disadvantages are restricted not only to legal problems of liability in consequence of incorrect use, or system failure . . . The whole pleasure of driving would also be lost."



CAR STEREOS

Surround sound in the fast lane

Volvo's C70 coupé takes a cinema soundtrack concept out for a spin, says **David Murphy**

In recent years, it has become increasingly easy for film fans to install surround sound systems, like those found at the cinema, in their own living rooms.

There is a wide choice of surround sound televisions, amplifiers and mini hi-fi systems available, most employing the ProLogic system developed by Dolby Laboratories, the San Francisco-based company.

Now Volvo, the Swedish car maker, is taking the concept on the road with the launch of its C70 coupé, the world's first Pro-Logic car. The C70 went on sale in the UK this year and comes with a powerful in-car audio system, with a 3-CD changer unit, cassette player and AM/FM radio.

It also sports a Dolby Pro-Logic surround sound plus a centre speaker, crucial in any surround sound system to "lock" dialogue to the screen, mounted in the middle of the dashboard.

To make Pro-Logic work in a car, Volvo's design team had to adjust the surround sound set-up, as Hans Lahti, a design engineer in Volvo's audio and communications department, who worked on the C70's audio system, explains: "In a home surround sound system, you focus the centre image [used mainly for dialogue] on to the screen to get the same kind of sound from different positions in the same room, so everyone hears the same thing. But in the car it is quite the opposite, because there you have a fixed seating position and you don't have a video screen.

"With a normal car stereo, you can adjust the [left-right] balance to get some kind of image shift, though not a very good one. We wanted...to be able to shift the centre image, so that some of the centre information is fed back to the left and right speakers. So we modified the Pro-Logic function, in co-operation with Dolby Labs."

In this way, says Mr Lahti, the location of the centre image, between the side speakers in the door and the centre of the dashboard, may be controlled exactly. "You get a kind of phantom centre image, whose position you can control by adjusting the centre level."

Several hundred surround-encoded compact discs are available, mainly film soundtracks and musicals. Pro-Logic-encoded CDs are rare, according to Mr Lahti, but the system works well with normal stereo recordings.

هكذا من الأصل

NEW YORK ART

Old China unlocks her past

William Packer reviews the ancient artefacts at the Guggenheim

The great exhibition in New York at the moment is *China – 5,000 years*, which fills the Guggenheim, both uptown and down. Glossed in its subtitle as "innovation and transformation in the arts", the show takes us from neolithic times and the third millennium BC to the 1990s, and is furnished by loans from Chinese museums and collections. Much of the archeological material is the fruit of recent excavation.

The two parts of the exhibition are quite distinct, with the larger historical and archeological part uptown. Stuffed with the most ravishing, fascinating things – ceramics, bronzes, sculpture, painting, calligraphy – it is naturally the more obvious attraction. But the smaller, modern bit downtown is, if anything, the more intriguing of the two. I shall return to this next week.

It is hard to know quite why such things are so moving

But the uptown part is wonderful, more for the experience it offers of the objects themselves rather than any new knowledge it imparts. While each new piece unearthed adds something of its own, the long succession of the dynasties is known and this display, in its several sections, takes us through them at speed.

It is not the story that holds us, but the objects – a bronze boar of the Shang period (1600-1100 BC); a western Han lamp (206 BC-8 AD) in the form of a bronze goose swallowing a fish; a lacquer tray, like a target, black and red, of the same period; a tall Han earthenware watchtower, three stories high, with pigeons on the roof; a Tang horse (618-907 AD); a shallow, pale-green stoneware dish, as pure and simple as could be (Song, 1127-1279 AD); a painted scroll (Qing, 1644-1911) of a philosopher in his pavilion on the mountain-side, "Pure Sounds of Hills and Streams", by Yuanji.

It is hard to know quite why such things are so moving, from those of the utmost formal simplicity to the most densely patterned and richly textured, sometimes exhibiting all such qualities at once. Why is it that one should be so touched by those slightly comical figures sitting cross-legged in the hut among the trees, worked as it is within so clear a formal convention, with its blobby leaves and rocks and bushes? Why should a bowl with the simplest shape and no decoration beyond a pale, crackled glaze seem so monumental? How is it that the rich, modelled surface of an ancient bronze cauldron in no way reduces its essential simplicity and formal strength?

Of course there is no answer, other than that of intuitive acknowledgment and response to what is felt to be right and true. To the specialist, who has dug the site, or read the history, or written the book, there must be added layers of meaning and experience to all these things, but we do not need to understand the characters to know that the calligraphy of Zhang Ruitu (1570-1641) or Wang Duo (1592-1652) is art of the highest order. We have only to give ourselves to it.

From the platoon of life-size terracotta warriors, part of the veritable army discovered in Shaanxi Province 20 years ago (Qin dynasty, 221-207 BC), with which the show begins, to the sway-hipped Buddhist guardian-king (Tang, 618-907 BC) at the very top of the Guggenheim's spiral ramp, the technical command, formal variety and invention, moderated by humane sympathy and wit, are ever surprising and delightful.

Stuffed with fascinating things: the figure of a general of the Qin dynasty (221-207 BC)

Now it is a pale neolithic jade tube (Liangzhu, 3600-2000 BC), modified into a near-square section on the outside and articulated by incised decoration of the utmost abstract refinement. Now, from the same period, it is a ceramic bottle in the shape of a dolphin, as plain and clean as a torpedo. A stone chime, the slimmest of slabs, decorated in cursive shallow relief on one side alone, has a hole bored through it, a proto-Moore or Hepworth, whereby to hang at its point of balance (Shang, 1600-1100 BC). Little monkeys swing from the 15 branches of a bronze tree-cum-lamp (Eastern Zhou, 475-221 BC). Four actors and musicians dance merrily along in high relief on their earthenware plaques (Yuan, 1279-1368 AD). A hanging, painted scroll, astonishingly huge, by Shang Xi (Ming, 1368-1644) has the Xuande Emperor setting out with his hunting party into the countryside, full of narrative incident and detail.

These are wonderful things which speak to us for themselves.

China – 5,000 years: Solomon R. Guggenheim Museum, 1071 Fifth Avenue (at 89th Street) New York, until June 3. Guggenheim Museum SoHo, 575 Broadway (at Prince Street) New York, until May 24. Sponsored by Lufthansa, Nokia, Ford, and Coca-Cola.

Puccini's missing link

OPERA

RICHARD FAIRMAN

Il trittico
English National Opera

At last it is becoming clearer where English National Opera is going. A keen, young music director is in place, an imaginative new managing director has been appointed, and it seems the company now wants to stay in the much-loved West End theatre it never should have spurned. The future looks bright – so long as Richard Eyre's imminent report does not recommend closure, merger, uprooting or artistic castration.

In the current climate it is a wonder anybody has time to think about putting on a show for the audience. For that reason alone it is worth welcoming ENO's latest offering, which amounts to not one new production, but three. Puccini's *Il trittico* – a trio of one-act operas, all of them from the hand of a master composer – is arguably the most important missing link in the opera repertoire we know and love.

Londoners have had few chances to see it. There have been a couple of amateur efforts, occasional showings of one or other of the operas, but the last time the trilogy was presented in a professional new production was way back in 1920. All that seems a good reason for taking it gently, which is what ENO's producer, Patrick Mason, has done. This is not one of those evenings when Puccini is used as an excuse for a tirade on capitalist oppression. (Do I hear disbelief? Try a return ticket to *Il trittico* in Hamburg.)

Mason's modest staging is safe and sound. That means that a newcomer to *Il trittico* will not have to go home afterwards and get down an opera guide to find out what it was really about, but it is hard not to think what ENO might have made of this opportunity a decade ago when it was a company that had vision and style on its mind. Cut-price realism simply was not a term in the Powerhouse dictionary.

So what are we left with? Out of a budget that was barely enough to furnish one traditional production Joe Vaněk, the designer, has still managed to squeeze three distinct settings. *Il tabarro* has a barge with a *Blue Peter* look of "one they made earlier" (Nick Chelton, lighting designer, helps out by keeping the stage in the watery murk).

The sleek and simple concept design for *Suor Angelica* is more individual; indeed, the whole production is at a higher level, capturing the sense of an inward-looking little community which is at the heart of each of the three operas. *Gianni Schicchi* reverts to cheapness and poster-paint toytown props. If this was all that could be afforded, it might

Each of the three operas manages to hit the mark

have been better to keep the company's previous *Schicchi* production and spend the money on the other two.

For all that, there is enough that is good about the performances for each of the three operas to hit the mark. *Il tabarro* benefits from having singers who are well cast in the principal roles: Rosalind Plowright happy with a vocal part that is not too high as Giorgetta, Phillip Joll strong and burly as Michele, and David Rendall (ENO's forthcoming Otello) practising his full-throttle top notes as Luigi. Elizabeth Vaughan's cameo as La Frugola was also a winner.

In *Suor Angelica* she returns as the fearsome Princess, whose glance of triumph as she announces the death of her niece's baby was a moment to chill the blood. What a difference it makes when an old-school singer like Vaughan shows how to sing every word in English so clearly. There were a few promising voices among the younger nuns and Anne Williams-King sang generously to fill the theatre as Sister Angelica, though she needs to find a more reliable way of ending her aria.

It would be nice to report a good team effort in *Gianni Schicchi*, an opera ENO should do well, but there were too many unpleasant sounds coming out of the throats of some of the supporting singers. The saving grace was Andrew Shore's absolutely brilliant Schicchi, who has leapt out of the pages of Dante's *Inferno* and is causing comic mayhem over the stage of the Coliseum. And he puts across every twist in Amanda Holden's sharp translation, too.

Shao-Chia Lü is a conductor who sets speeds both faster and slower than usual and then tends to dig in without much idiomatic give-and-take. Still, audiences should find that the three-and-a-half hours pass quickly, even while they recognise the lack of flair in what is being put before them. Puccini had enough flair to make up for everybody.

Performances continue at the Coliseum, London WC2 until May 12.

Absolutely brilliant: Andrew Shore as Schicchi *Alastair Muir*

Slick Elton fails to hit the right note

THEATRE

ALASTAIR MACAULAY

Blast from the Past
West Yorkshire Playhouse, Leeds

Blast from the Past is Ben Elton's most mature play to date, but also his least successful. Elton has been steadily maturing as a playwright; and I speak as one who much enjoyed his first play, *Gasping*, in 1990. But, after eight years and three West End successes, Elton is still showing some immaturities. I can't help wondering: maybe he always will?

In his second play, *Silly Cow*, he showed how much he had learnt about the craft of dramatic structure since his first. *Popcorn*, his third, was a dazzling advance upon both in that respect, and in others, too. Still, for all the spot-on "now"-ness of those first three plays, and for all their what-will-happen-next excitement, they are more lightweight than they need be because the characters have been vivid but shallow, like good cartoon characters.

The most impressive feature of *Blast from the Past* is that this is no longer true. The most frustrating feature is that he has not yet made his characters real at every turn. Sometimes they have real moral weight and emotional complexity; but sometimes they shrink into a slick, bright, jack-in-the-box predictability.

Any London theatre critic is likely to compare *Blast from the Past* to David Hare's 1995 *Skylight*. Just get this: leftwing young woman receives an unexpected visit at night from the most important love of her life, whom she has not seen in years, and who happens to be older, right-wing, and married. Ring any bells?

The couple met 17 years ago when she, Polly, was a Greenham Common hippy and he, Jack, was an American Army officer. She is now a council worker in the Equal Opportunities section helping victims of abuse and oppression in Stoke Newington, and he is an ambitious general who misses no chance to badmouth liberals, gays, and feminists. She is a bag of nerves and suffering – she is also being plagued by a stalker – while he is cool and collected. And yet they had an intensely passionate affair all those years ago, and they are still strongly attracted to each other now.

'Jack' keeps reverting into a glib caricature of a heartless American chauvinist

There has been no one else so sexually important to either of them in the interim. They are absolutely aware of their psychological incompatibility, and they are both good at debunking each other whenever one of them starts off on his or her soap-box. Has he come to start the affair all over again? Will she let him? Do either of them know quite what the other's real agenda is?

There are some obvious errors: at one point, we are asked to believe that Jack, this careful American general, walks out of Polly's sixth-floor flat, hoping that nobody will notice him, with his outsize gun poised in his hand. And Elton can't decide how three-dimensional to make Jack: he, Jack, keeps reverting into a glib caricature of a heartless American chauvinist, and the caricature reveals dismaying streaks of Americanophobia in Elton. But Elton is a craftsman: by the time we want Jack to get the hell out of our lives, Polly decides that she wants him to get the hell out of hers, and why he insists on staying becomes a dramatic issue well handled.

No, the real trouble with *Blast from the Past* is its reversion to slickness. When it ends, it turns out to have been a thriller: which is disappointing because, at several points, it started to become much more. The fact that it reminds us of *Skylight* is no bad thing: like Hare, Elton can make political debate both serious and witty. But *Skylight* does not then shove all that under the carpet and pretend to be just a clever plot. *Blast from the Past* does, except that its plot is not quite clever enough.

Admittedly, a different staging would improve matters. Jude Kelly, directing, allows the play to be too this-is-for-laughs at some points and too this-isn't-for-laughs at others. Oliver Cotton is wholly cramped in the role of Jack. His American accent is just not quite the real thing. Imogen Stubbs is altogether better, but she too exaggerates the feverish scatterbrain silliness at the beginning and the violent outbursts at the end. You end up buying her Scottish accent, but not at first. Still, when the play is at its best, she is at hers. It starts to be *about* the complexity and seriousness of her feeling; about the humanity of her self-contradictions.

The audience responds keenly throughout; Elton's sheer wit and skill carry the evening. But his very slickness, his need to give us an evening of carefully manipulated suspense and black comedy, is what now feels like his immaturity. *Blast from the Past* feels less like a hit than any previous Elton play.

Until May 16 (0113 213 7700).

INTERNATIONAL

Arts Guide

AMSTERDAM

EXHIBITION
Rijksmuseum
Tel: 31-20-673 2121
Ornament Prints: serving as a source of inspiration to craftsmen, artists and patrons, these prints provided information about the fashions and designs of other cultures. This selection of the finest examples is accompanied by related objects such as furniture and silverware; ends on Sunday

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Wozzeck: by Berg. Wim Trompert directs a revival of Willy Decker's 1994 production, with designs by Wolfgang Gussman. With the Netherlands Philharmonic conducted by Hartmut Haenchen; Apr 16, 19, 21

BELFAST

OPERA
Grand Opera House
Tel: 44-1232-241919
The National Opera of Latvia: Nabucco, by Verdi; Apr 15, 16

BERLIN

CONCERTS
Philharmonie
Tel: 49-30-2548 8354
Berlin Philharmonic Orchestra: conducted by Roger Norrington in works by Haydn and Knussen; Apr 20, 21

Staatsoper unter den Linden
Tel: 49-30-2035 4555
www.staatsoper-berlin.org
Berlin Philharmonic Orchestra: conducted by Daniel Barenboim in works by Liszt, Schumann and Beethoven; Apr 16

DANCE
Deutsche Oper
Tel: 49-30-34384-01
La Sylphide: revival of a production designed by David Walker and directed by Peter Schaufuss, after August Bournonville; Apr 18

OPERA
Deutsche Oper
Tel: 49-30-34384-01
● Der Prinz von Homburg: by Henze. Conducted by Christian Thielemann in a staging by Götz Friedrich; Apr 16
● Parsifal: by Wagner. New production conducted by Christian Thielemann in a staging by Götz Friedrich; Apr 19

Staatsoper unter den Linden
Tel: 49-30-2035 4555
www.staatsoper-berlin.org
Die Meistersinger von Nürnberg: by Wagner. Harry Kupfer's new production is conducted by Daniel Barenboim/Sebastian Weigle; Apr 19

CHICAGO

CONCERTS
Orchestra Hall
Tel: 1-312-294-3000
www.chicagosymphony.org
Chicago Symphony Orchestra: conducted by Donald Runnicles in works by Wagner, Haydn, Pärt and Britten. With cello soloist John Sharp; Apr 15, 16, 17, 18, 21

FLORENCE

OPERA
Maggio Musicale Fiorentino
Tel: 39-55-211158
www.maggiofiorentino.com
The Lady Macbeth of the Mtsensk District: by Shostakovich. New production by Lev Dodin, conducted by Semyon Bychkov; Teatro Comunale; Apr 21

FRANKFURT

CONCERTS
Alte Oper
Tel: 49-69-134 0400
Chamber Orchestra of Europe: conducted by Nikolaus Harnoncourt in works by Schubert, Mendelssohn and Schumann. With violin soloist Thomas Zehetmair; Apr 21

HELSINKI

OPERA
Finnish National Opera
Tel: 358-9-4030 2211
The Magic Flute: by Mozart. New production by Swedish director Etienne Glaser, designed by Peter Tillberg. Conducted by Mikko Franck; Apr 14

LISBON

THEATRE
100 Days Festival, Expo '98
Uncle Vanya: by Chekhov. Production directed by Peter Stein; Teatro Nacional D. Maria II; Apr 14

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
London Symphony Orchestra: Michael Tilson Thomas conducts works by Mahler, Ives and Bernstein; Apr 17

Royal Festival Hall
Tel: 44-171-960 4242
● English Sinfonia: world premiere of Strong on Oaks, Strong on the Causes of Oaks by Michael Nyman. Programme also includes Rachmaninov's Piano Concerto No. 2, performed by John Lill, and works by Schubert and Arnold; Apr 14
● London Philharmonic Orchestra: conducted by Paavo Järvi in works by Beethoven, Mozart and Mahler. With violin soloist Frank Peter Zimmerman; Apr 15
● Philharmonia Orchestra: conducted by Mikhail Pletnev in works by Tchaikovsky and Berlioz. With violin soloist Victor Tretyakov; Apr 16
● London Philharmonic Orchestra: Ben-Hur. Projection of the 1925 film with live performance of Carl Davis's Score, conducted by the composer; Apr 18
● English Chamber Orchestra: conducted by Pinchas Aukerman in works by Dvorák and Mozart, with piano soloist Iyuko Nakamichi, and by Shuntaro Sato in Bartok's Viola Concerto, with Zukerman as viola soloist; Apr 20
● Philharmonia Orchestra: conducted by Mikhail Pletnev in works by Berlioz and Tchaikovsky. With mezzo-soprano Jean Rigby; Apr 21

EXHIBITION
Victoria and Albert Museum
Tel: 44-171-938 8500
The Power of the Poster: including classic images from the 1880s and 1890s as well as the work of contemporary designers and agencies; to Jul 26

MILAN

OPERA
Teatro alla Scala
Tel: 39-2-88791
www.lascala.milano.it
Linda di Chamounix: by Donizetti. Co-production with Vienna Staatsoper conducted by Roberto Abbado in a staging by August Everding; Apr 14, 15, 17, 18

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
Munich Philharmonic Orchestra: conducted by Günter Wand in works by Schubert and Bruckner; Apr 19, 20, 21

OPERA
Carl-Orff-Saal, Gasteig
Tel: 49-89-4809 8508
Vision of Lear: by Toshio Hosokawa, with a libretto by Suzuki and Hosokawa. Co-production of the Munich Biennale with the Shizuoka Performing Arts Centre; Apr 19, 20,

NEW YORK

OPERA
New York City Opera, New York State Theater
Tel: 1-212-870 5570
www.nycopera.com
Paul Bunyan: by Britten. New production directed by Mark Lamos and conducted by Stewart Robertson; Apr 14, 18

SAN FRANCISCO

CONCERTS
Davies Symphony Hall
Tel: 1-415-864 6000
www.sfsymphony.org
● San Francisco Symphony Orchestra: conducted by Alasdair Neale in works by Haydn, Marti Epstein, Elgar and Schumann, with pianist Hélène Grimaud; Apr 15, 16, 17, 18
● Alfred Brendel: recital by the pianist of works by Mozart, Schubert and Haydn; Apr 19
● Isaac Stern: recital by the violinist, with pianist Robert McDonald; Apr 21

STOCKHOLM

EXHIBITIONS
Moderna Museet
Tel: 46-8-5195 5200
www.modernamuseet.se
● "No one's dogs": 100 Years of Swedish Art. 100 works, specially selected to trace the history of modern art in Sweden; ends on Sunday
● Wounds: Between Democracy and Redemption in Contemporary Art. The inaugural exhibition in the museum's new building examines developments in the visual arts from the 1960s to the present. Includes works by Francis Bacon, Andy Warhol, Gerhard Richter and Per Kirkeby; ends on Sunday

TOKYO

CONCERTS
Bunkamura
Tel: 81-3-3477 9999
● Tokyo Philharmonic Orchestra: conducted by Hiroyuki Iwaki in works by Ichiyanagi, Szymanowski and Tchaikovsky. With violin soloist Natsuko Yoshimoto; Orchard Hall; Apr 17
● Vienna Boys Choir: religious music, Mozart and folk songs from around the world; Orchard Hall; Apr 18, 19

VIENNA

EXHIBITIONS
Kunsthistorisches Museum
Tel: 43-1-525240
Pieter Brueghel and Jan Brueghel: comprehensive survey of the art of the two sons of Pieter Brueghel the Elder. Includes around 130 paintings and 20 works on paper by Jan Brueghel the Elder (1568-1625) and his brother Pieter Brueghel the Younger (1564-1637/8). The exhibition also includes a dozen works by their father, enabling visitors to trace his influence upon his sons; ends today

MARTIN WOLF

Brown's families

The government's proposed welfare reforms could have perverse effects on household formation and rewards from work

Welfare reform is New Labour's big idea. With Gordon Brown's Budget and the policy proposals from Frank Field, minister for welfare reform, out last month, its aims are now clearer. Yet aims are one thing; consequences another. What impact will these plans have on that most fundamental of institutions – families with children?

The government's goals are to secure an adequate income for all families with children, without affecting family structure; ensure that, so far as possible, this income is gained from paid "work"; improve incentives to increase earnings; and limit the additional revenue it needs to raise from taxation. But it is impossible to meet some goals without compromising others.

The government's policies will raise family incomes at the bottom of the earnings distribution and increase the number of parents who work. But it will also raise the number of small children looked after by strangers, of lone parents, of couples with a sizeable incentive to cheat the state and of earners confronting high marginal tax rates. To understand this, it will be helpful to take the low-skilled mother's eye view, since it is she who determines family structure.

The impact on her income and incentive to work is clear: the new working families tax credit means that "every working family with a full-time worker has an income of at least £180 ($300) a week", higher than afforded by its predecessor, family credit; the credit will be withdrawn at the rate of 55p for every pound of additional earned income, against the 70p in family credit; and there is also a generous new credit for childcare – up to £105 a week for two children.

Two weeks ago (March 31) I queried the sense of providing big work incentives to a parent whose earning potential is no greater than a child-minder's. To this Dawn Primarolo, financial secretary at the Treasury, responded (April 6) that "many women want and need to work", which the cost of childcare prevents.

This is hardly compelling. A low-skilled, lone parent with young children not helped by another adult (or adults) is dependent on the state, whatever she may "want". She cannot earn enough in the market to cover the cost of childcare, while supporting herself and her children. Co-operation between parents has been the historic norm, precisely because of this.

A country with a high tax-raising capacity can make unviable families viable, by transferring resources from other earners. It can either provide mothers with an income that allows them to stay at home or it can pay for the childcare that allows them to work. These are just alternative forms of subsidy. The government has decided to increase the latter in relation to the former. Inevitably, mothers will respond by working, even if the work consists of doing for other children what they might do for their own.

So a mother is more likely to work. What then is her incentive to sustain a relationship with the father of her children? Her income, without her partner, is larger than before and the rate of withdrawal of that income is lower. The implications are revealed in the table, which shows a couple with combined earnings, before tax, of £450 a week (£23,400 a year). Joan earns £200 a week and John earns £250. Despite paying £150 a week in childcare, the couple has income, after childcare, of £279.06 a week.

What is John's economic value to Joan? Not much is the answer. Should John leave and then fail to make any contribution to his family, which is true for a third of the fathers the government believes should do so, Joan will receive £341.34 before childcare and £191.34 after it.

With John, the family of four has £70 per head. Without him, the remaining three share £64 per head. Unless John's consumption is less than £88 a week, his presence makes the other members less able to consume things purchased outside the home. John had better behave awfully well. Otherwise, he will be seen as a liability to the family.

Why is a man who earns £250 a week – which puts him nearly a third of the way up the earnings distribution for manual workers – worth only £88 a week to his family? The answer lies in the structure of the credit. His net income after tax may be £198.60. But 55 per cent of that is taken away from the credit and his wife (or partner) will also receive the married couple's allowance he loses.

True, the withdrawal rate is lower than it used to be before the Budget, but it goes far higher up the earnings distribution. Even if John earned average manual earnings of £330 a week, the value of his income to his family would be a mere £112 a week. The 55 per cent marginal rate of withdrawal would, in fact, continue to apply until he earned £370 a week.

The couple has an alternative. Joan could merely pretend to throw John out of the household. In the example below, Joan would still receive her £191.34 after childcare. But John would now receive £194.94 after tax, making the couple's combined net income £386.28, after childcare, 38 per cent above the £279.06 they would obtain legally. The incentive to cheat is huge.

The reason for this is that the credit is based on family income, while tax is based on individual income. If a couple can present themselves as a lone-parent family earning £200 a week, plus an individual earning £250, the state will make them far better off than a couple earning £450 a week.

So the government will indeed make mothers better off than before. But it will also encourage them to work, even if the economic value of their work is little greater than its cost; it makes the additional value of a man's earnings very modest, unless he earns significantly above the average for male manual workers; and it gives many more parents a significant incentive to cheat.

All this is the price of three features of the system: that benefits go, as before, to families, rather than individuals; that families now receive a higher basic income; and that rates of withdrawal will be lower. The Institute for Fiscal Studies notes that, with all the taxes and benefits (including housing and council tax benefits), the number of households facing marginal tax rates of more than 50 per cent has risen at least from 0.8m to 1.3m and could reach 2m. The cost of this increase will probably more than offset the benefit of reducing the number facing tax rates of over 80 per cent from 465,000 to 265,000.

Could the government have made different choices? Yes. Could it have made better ones? The answer, I believe, is yes again. It could have increased universal benefits, such as child benefit for small children. It could also have provided wage-subsidies to individuals, rather than credits to families, leaving family formation undistorted. But both would have required politically unpopular increases in general taxation.

The crucial point, however, is that the path down which the government is going will have significant effects on the family. In trying to make all families economically viable, while reducing marginal rates of benefit withdrawal, the government will give a big boost, at the lower end of the earnings distribution, to the working lone-parent family. Is that what New Labour really wants? If so, why does it do so?

Martin.Wolf@FT.com

The economic value of fathers

	With father	Without father
Earnings father	£250.00	£0.00
National insurance	-£15.80	£0.00
Income tax	[illegible]	£0.00
Father's net income	£198.59	£0.00
Earnings mother	£200.00	£200.00
National insurance	-£13.60	-£13.60
Income tax	-£24.96	-£21.31
Mother's net income	£161.44	£165.00
Net family income	£360.03	£165.00
Basic tax credit	£48.80	£48.80
Two child credit	£29.70	£29.70
30-hour credit	£10.80	£10.80
Childcare credit (70 per cent of £150)	£105.00	£105.00
Less 55 per cent of excess of net family income over £90	-£148.51	-£41.25
Working families tax credit	£45.79	£153.05
Child benefit	£23.25	£23.25
Total	£429.06	£341.34
Total net of childcare	£279.06	£191.34

HM Treasury

LETTERS TO THE EDITOR

Breakdown of curb on consumption in Japan to be encouraged

From Mr William Jacobson.

Sir, I'm afraid that Martin Wolf ("Saving Japan", April 7) was uncharacteristically off the mark in accepting chronic Japanese over-saving as a fact of life. The free flow of capital is fine – but not a one-sided free flow which leads to large and ever-growing imbalances. Across the economic cycle, Japan produces more than it consumes, and exports the difference. Thus the Rubin-Summers mantra: can we have a bit of domestic demand led growth, please?

Japanese over-saving may or may not have cultural roots, but public policy – enshrined in a bewildering array of regulations specifically designed to inhibit consumption – has clearly been an underlying cause of the problem. The construction industry – that pillar of the LDP – is only the egregious illustration of this policy: Japan has public works to rival the Starship Enterprise, but remains without a decent and affordable housing stock.

The Japanese system is breaking down before our eyes, and we should encourage the process. It is always frightening when past excesses are being corrected, but the foundation is being laid for a return to growth. Japanese consumers will get a better deal, and trade tensions will diminish – enabling the US and Japan to focus energy on helping China to manage its transition. Advocates of the free flow of capital need not rise to Japan's defence.

William Jacobson,
Chase Foreign Exchange,
270 Park Avenue,
New York, NY 10017-2070,
US

Emerging market debt

From Arturo C. Porzecanski

Sir, I agree with the general thrust of John Plender's article, "Needed: equity-for-debt-swap" (April 8), namely, that emerging markets are still relying too heavily on debt as opposed to equity to finance their economic growth.

However, the imbalance is far less serious than the author suggests because the OECD data he cites do not include foreign direct investment and, worse, the OECD figures on bond issuance and loan disbursements are gross rather than net of substantial bond redemptions and loan repayments.

Indeed, we estimate that last year FDI represented about half of all net external financing obtained by emerging markets and that portfolio equity flows accounted for an additional 10 per cent or so.

The most dramatic case is Latin America, where FDI and other equity-related flows used to play a very small role and now they loom encouragingly large: last year these flows accounted for almost 80 per cent of the region's net external financing needs.

In the case of the main Asian countries that ran into trouble in 1997, this proportion was closer to 30 per cent in 1995-96.

Arturo C. Porzecanski,
Americas chief economist
ING Barings
New York,
NY 10021

Dreams that failed could offer lesson

From Mr Craig P. Ehrlich.

Sir, I read with interest "The courage to dream" (April 3), discussing the potential of the Korean chaebol, the large, family-run conglomerates. The chief point seems to be that the grand ambitions of the chaebol chairmen should not be derided because their audacious dreams led to "a decade of astonishing performance", at least in the cases of Samsung and perhaps LG.

But what of the failed dreams and spectacular failures of so many other Korean business groups? The chairmen of the bankrupt chaebol no doubt had their own great ambitions. The article would have been more interesting and useful had it asked why some of Samsung's plans worked and so many others did not.

Craig P. Ehrlich,
Babson College,
Babson Park,
MA02157-0310, US

Trigger for reversals

From Mr W.B. Fox.

Sir, Lex says ("US equities", April 4) that Wall Street "has two big defences; low interest rates and the heavy flow of cash into mutual funds". Has it?

The great depression of the early 1930s was characterised by astonishingly low interest rates, and in the last 30 years downward reversals of the market have always been triggered by "the heavy flow of cash into the mutual funds".

W.B. Fox,
Thristle Lodge,
Spenny Lane,
Collier Street,
Marden,
Kent TN12 9PR, UK

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers worldwide. Letters may be faxed to +44 171-873 5938 (set fax to 'fine'), e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages. Fax 0171 873 5938. Letters should be typed and not hand written.

ECONOMICS NOTEBOOK ROBERT CHOTE

The squabbling twins

In the light of Asia's economic turmoil and attempts to ease its problems, the financial sector expertise of the IMF and World Bank should be put under one roof

Jacques Polak, the International Monetary Fund's former research director, has described the IMF's relationship with the World Bank as "an untidy, but controlled, mixture of co-operation in general and mutual irritation on occasions". The Asian crisis has been one of those occasions. It has opened up differences between the institutions that had been papered over for years.

The Bretton Woods twins were born with different objectives in 1944 and grew further apart over the next 30 years. But since then "conditions in the world economy have increasingly forced them, set in their ways and after the onset of middle age, to live in much closer operational proximity, in continuous awareness of each other's established rights and acquired sensibilities".*

A decade ago, after the IMF objected to a huge World Bank loan to Argentina, the turf battle between the institutions had become sufficiently bloody that a peace treaty was needed. Months of acrimonious negotiations produced the "concordat", which said in essence that the IMF was responsible for short-term macroeconomic policy advice and the World Bank for longer-term structural reforms.

This distinction was never as clear-cut as it sounded. Tax and trade are only two of many policy areas that could fall into either category. But as finance ministers gather in Washington for their spring meetings this week, it is time to re-examine their respective roles in the light of Asia's financial turmoil.

Thailand's economic meltdown was triggered by traditional macroeconomic problems – an unsustainable current account deficit and an overvalued exchange rate. But the severity of this crisis, and the way it spread to other countries with apparently sound macroeconomic fundamentals, reflected common structural weaknesses, notably in the banking and financial sectors.

Macroeconomic and structural factors were intertwined in causing the crises and they both needed attention when it came to resolving them. The traditional demarcation suggests the IMF should have dealt with macroeconomic adjustment, with the World Bank taking the lead in financial sector reform. But in Thailand and the later crises, the bank was slow to respond. It lacked the right people and was slow to redeploy resources because of an internal reorganisation.

Like nature, the IMF abhors a vacuum. Its senior managers concluded that the bank was in no shape to fulfil its traditional mandate and set about doing the job themselves. By the time the bank had four financial sector experts in Thailand, the IMF had 25. The IMF made its financial support conditional on detailed structural reforms.

By the time Indonesia and South Korea toppled over, the IMF felt it had established a precedent. With the combination of efficiency and arrogance that typifies the institution, it elbowed the bank and other multilateral institutions aside. In one crisis country, for example, the Asian Development Bank was happily developing a reform plan for banking supervision, unaware that the IMF was about to implement its own blueprint, wholly inconsistent with that of the ADB.

In the early days of the crises, IMF staff in the field were often unwilling even to communicate with the other institutions, let alone collaborate with them. Understandably, this caused friction both in Asia and in Washington. The atmosphere was not helped when Michel Camdessus, the IMF managing director, in effect committed the bank to providing substantial short-term liquidity support for Korea without any senior officials from the bank present.

Tempers have cooled and the operational relationship between the bank and the IMF has much improved. Scarred by their experiences, both institutions are also boosting their capacity to deal with the financial sector problems now seen as central to modern economic crises.

"The Fund will need to strengthen staff expertise, with implications for recruitment and internal training," argued a recent IMF report.

The bank is spending $50m (£30m) on a Special Financial Operations Unit. This will increase its financial sector staff by half within a year, many of them expensive hires. The bank believes the unit should be able to provide loans, advice and technical assistance in up to six crisis situations at once.

Given the efforts on both sides of Washington's 19th Street, financial sector expertise will not be in short supply. But recent events suggest these resources may not be used efficiently. Making the fund responsible for surveillance and crisis management, while the bank deals with longer-term reform, risks further co-ordination failures.

As one cynic observed after the IMF mishandled the closure of 16 banks in Indonesia last year: "We give countries a choice: the wrong advice from the fund straight away or the right advice from the bank too late."

Financial sector problems have affected three-quarters of bank and fund member countries over the past 15 years, hurting rich and poor alike. Surveillance, crisis management and long-term capacity building are complementary in this context.

It may well make sense to put the financial sector expertise of the Bretton Woods twins, and perhaps that of the Bank for International Settlements as well, under one roof. And given the importance of sound financial systems to effective macroeconomic policy, it should be the fund's roof.

This is not to argue that the fund is "better" at financial sector issues: the bank has done valuable work in many countries and Jonathan Fichter, the head of its new financial operations unit, is highly thought of by fund staff. Neither is this to argue that the fund is "better" in some general sense than the bank.

Indeed, there is a strong case for transferring the fund's long-term structural adjustment lending for the poorest countries to the bank, which understands the development process in these countries better.

There has been some talk in the institutions of rewriting the concordat in the wake of the Asian crises, but Mr Camdessus has told colleagues that this is an exercise he is happy to leave to his successor.

There is certainly no point embarking on a doomed crusade to achieve perfect bureaucratic tidiness, but some modest re-allocation of responsibilities may be worth pursuing.

**Polak J, The World Bank and the IMF: A Changing Relationship, in The World Bank: Its First Half Century, Brookings Institution, 1997.*

EDITOR

Dreams that failed could offer lesson

Trigger for reversals

wins

هكذا من الأصل

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Tuesday April 14 1998

US's real first national bank

These deals are different. Whereas last week's merger between Citicorp and Travelers represented something new in financial services – the creation of a giant financial supermarket – the transactions announced yesterday were just another big step in a process of bank consolidation. This process has been under way in US commercial banking for more than a decade.

The question is: who benefits? Clearly, the managers who come out on top of these mergers will have much bigger empires to enjoy. Their customers may benefit too, at least on the consumer side.

A feature of the US banking industry is that although it clearly has too much capacity, it is also very profitable – both by its own historic standards, and when measured against international benchmarks. The average annual return on equity of insured banks has been pushing 15 per cent in recent years, significantly higher than at any time in the past 60 years.

One explanation for this combination of high returns and lots of capacity could be that the industry is not as competitive as it might be. Despite the fact that there are still over 9,000 commercial banks in the US, only in recent years have interstate banking restrictions been lifted, opening up the market to regional and national competition. What consumers lose from a lack of personal contact with their bankers, they might recoup by access to a broader range of services, increased convenience, and keener pricing.

These large banks will also be better placed to withstand regional shocks than were their predecessors a decade or two ago. A feature of the great wave of bank failures during the period between 1980 and 1994 was that three fifths of them occurred in only five states, California, Kansas, Louisiana, Oklahoma and Texas.

Against that, however, the US has benefited from its heritage of regional banks, with a strong commitment to the well being of their local economic communities. There must be some concern about the weakening of these links.

Will these deals work well for shareholders? The banks involved in yesterday's announcements all have lots of experience in making successful marriages, and they can point to sizeable cost savings and economies of scale arising from these latest transactions. On the other hand, mergers on this scale are very difficult to manage.

And the fact that they have been conceived in what is now approaching a mood of merger mania in the US is another reason for caution. At least these deals appear to have been cooking in the works for some time. Others which are now being contemplated will probably make a lot less sense.

Japanese threat

Can Japan escape from a deflationary spiral? Despite the more detailed plans for income tax cuts and public spending announced by prime minister Ryutaro Hashimoto last Thursday, the risk that the world's second largest economy will suffer a precipitous decline remains disturbingly high.

Rising unemployment, a seemingly endless banking crisis and a debt hangover from the bubble economy of the 1980s have all combined to cause Japanese consumers to go on strike. Collapsing business confidence has produced an equally worrying investment strike. Hence recent data showing falling domestic demand, shrinking industrial output, rising inventories and a sharp fall in imports.

A credit crunch, stemming from the banks' problems, is now affecting big companies as well as small. And the Nikkei 225 index, whose level is vitally important for the solvency of Japanese banks, ended the March 31 financial year 8 per cent down on its level the year before.

In such circumstances short-term interest rates of about half a per cent produce no stimulus. Nor does the dramatic expansion in the Bank of Japan's balance sheet. Much of the resulting liquidity has gone straight into household safes. When monetary policy is, in Keynes's phrase, reduced to pushing on a piece of string, the only answer is fiscal expansion. But while Mr Hashimoto's Y16,000bn ($123bn) package was large in absolute terms, it seems unlikely to restore confidence.

Masaru Hayami, the new head of the Bank of Japan, had called for permanent income tax cuts. By ignoring this plea and offering one-off cuts the prime minister not only disappointed expectations. In effect, he invited a people already suffering from package fatigue to save the cuts rather than spend them. And by insisting that revisions to the fiscal reform law should be kept to a minimum, Mr Hashimoto made it more likely that fiscal policy, too, would needlessly be reduced to pushing on string.

There will have to be another package, which will be even harder to pitch at the right confidence-boosting level. In the meantime the yen seems likely to remain weak, ensuring that Japan re-exports the impact of the Asian crisis to the US and Europe.

This underlines the global implications of Japan's plight. Without a Japanese recovery the rest of Asia's problems will be harder to solve. With a Japanese deflation the risk of a protectionist backlash grows. Japan can and should expect continuing international pressure for more radical action. This is dangerous territory indeed.

Europe's future

You've heard about the US "New Paradigm" of non-inflationary growth. Now get ready for the European version. Over the past few months, a mood of optimism has buoyed up the economic forecasts of prospective Emu members. One recent broker's report talked about a "Golden Scenario". Is this over-excitement about a long-awaited cyclical upturn, or is Europe really in for a prosperous new era?

Certainly the 11 likely Emu members are in a much healthier economic position than seemed likely even a year ago. Industrial production is growing at an annual rate of 4 per cent. Unemployment has been falling. Inflation is low. And the area as a whole has a current account surplus of 1.8 per cent of GDP.

Looking forward, the outlook is good. The macroeconomic policy stance will support the recovery: fiscal policy is likely to ease somewhat following the achievement of the Maastricht criteria. Output growth in the euro area should reach nearly 3 per cent both this year and next, according to the latest OECD forecasts. And inflation, according to the same forecasts, should remain comfortably below 2 per cent.

This all sounds too good to be true. And, indeed, there are still reasons to be wary of being too optimistic about Europe's prospects. Although the economic cycles of the euro area countries are roughly in sync, there remains some divergence between the core and periphery countries. The Republic of Ireland in particular and to a lesser extent the Netherlands, Finland, Spain and Portugal are experiencing strong growth, and are at risk of overheating.

More generally, both labour markets and product markets remain too regulated. Unemployment may be falling but, according to the OECD, 11.5 per cent of the labour force will still be out of work in 1999.

If strong, non-inflationary growth is to be sustainable, more than good macroeconomic management is needed. Substantial structural reforms must also take place in order to give the euro economies the flexibility to respond to the obstacles to growth that will inevitably arise.

There are good reasons to be optimistic about the economic prospects at the outset of Emu. Europe's achievement of near-price stability over the past few years has been remarkable, and the outlook for the next few years is indeed good.

It may be that the Emu project faces its real challenge when the cycle turns around and growth across the region starts to slow. Managing that phase of the cycle – in an economy still hampered by structural rigidities – could be the European Central Bank's first big test.

Banking on moving targets

John Authers looks at the reasons behind yesterday's two big US bank mergers and asks who might be next?

The US has more than 9,000 commercial banks. Britain has a 212; Canada 53.

So if the American banking system were to become as concentrated as Britain's, it would have, at the most, 1,000 banks; if like Canada's, just 500.

So yesterday's news of two big banking mergers – in considerable contrast to the merger of Citicorp and Travelers – which stunned Wall Street last week – was the sort of thing the market had been expecting for years. Two down; 8,000 or more to go.

The question is, if consolidation is inevitable (and many small banks in America will no doubt survive), how will it be achieved? Citicorp and Travelers showed one way: by blurring the barriers between different sorts of financial activity – commercial banking, investment banking, insurance and securities. The aim is to create a new sort of institution, one that is still not allowed under US financial services, grouping all these activities under the same roof. Nothing remotely like it had been attempted before.

Yesterday's deals show the more traditional form of merger, that between commercial banks – in this case, between BankAmerica with NationsBank on the one hand, and Banc One and First Chicago on the other. The aim is simpler: to save costs and extend market scope through acquisition.

Verne Istock, chief executive of First Chicago NBD, put the logic simply: "This is a natural evolution whenever you have excess capacity in an industry."

But if the deals are not unusual in kind, they certainly are in scale. The new BankAmerica will have $570bn (£341bn) in assets; the new Banc One will have $279bn. They are part of an emerging top tier of US banks, including Citigroup and Chase Manhattan with $300bn or more in assets. This group is pulling away from others.

Moreover, BankAmerica is the US's first genuinely national bank, with retail operations stretching from coast to coast. Some 31m people will be buying one product or another from the bank, comfortably the most customers of any US bank (though this still represents only 8.1 per cent of the total US deposit market). "The deal I think represents the most fundamental change in the structure of American banking we have seen," says Thomas Hanley, banking analyst at UBS Securities. "It's the first true nationwide bank."

The big mergers hinge on two factors. First, they take advantage of the opportunity to reap big savings thanks to the historically overcrowded state of the US banking sector, a legacy of the banking reforms which followed the depression of the early 1930s. Second, they continue the attempt to build truly national banking franchises and brand names in the US.

The combination of First Chicago NBD and Banc One, whose retail branch networks overlap in the central Midwest, presents opportunities for huge savings. These come both from closing branches in the areas where they both have a presence, and by consolidating the back office administration for bulk businesses such as credit cards, where the new bank will now be the nation's second largest issuer, behind only Citicorp. Its preliminary estimate is that it can cut $930m in annual costs, while raising revenue by $275m next year.

But NationsBank and BankAmerica, with only a little branch overlap in Texas and New Mexico, are also expecting to cut costs by $1.3bn, equivalent to 10 per cent of the banks' combined cost base. These savings will come mainly from consolidating administrative functions, using a model which NationsBank has already applied with ruthless effectiveness in a series of mergers. For example, last year's $15.52bn acquisition of Barnett Banks, the largest bank in Florida, was predicated on cost cuts which removed 55 per cent of Barnett's expenses.

The second trend behind the deals is more ambitious, and involves the attempt by a number of big regional banks to build a truly national franchise. BankAmerica's merger with NationsBank virtually achieves this, creating the first branch network which stretches from coast to coast, albeit lacking a presence in the north-east of the country.

The argument is that the US population has become more mobile, making it much harder for regional banks to hold on to their more affluent customers. Also, by creating a national brand, expansive national marketing becomes possible.

Many financial products are already marketed nationally, but this is usually done using direct mail and telephone call centres. These new combinations will also be using traditional branches to make sales.

Corey Yulinsky, who covers financial services strategy for Mercer Consulting, suggests this could be harder to achieve than it seems. "These banks are going to try to create a new kind of hybrid model. All of the non-banks have demonstrated for specific products, like credit cards, mutual funds and home equity loans, that there are clearly national products out there, and they use the mail and the telephone to make sales. Coupling products which normally done by the mail and telephone with actual storefronts will be fascinating to watch play out."

It was already clear yesterday was that the deals are continuing to generate more momentum. No combination can match NationsBank-BankAmerica, but there is still the opportunity for several further huge mergers.

First Union, NationsBank's great competitor which is also based in Charlotte, North Carolina, will likely want to make another move. As it already has a strong presence up the Atlantic seaboard it may want to buy one of Bank Boston or Fleet Financial.

The Californian market has already seen heavy consolidation of its own, with deals such as BankAmerica's acquisition of Security Pacific for $4.66bn in 1991, Wells Fargo's purchase of First Interstate for $15.52bn in 1996, and the combination earlier this year of Washington Mutual and HF Ahmanson to create the nation's largest thrift.

All of these could be targets for First Union, or for Chase Manhattan, the New York-based wholesale banking powerhouse which also maintains a large retail network in the north-east.

The story of Wells Fargo, however, could provide the most important lesson for the managers and investors involved in yesterday's deals. Once the nation's most highly rated bank, and a leader in moving away from traditional branches to banking centres in supermarkets, it bought First Interstate after a hostile bid and shed many of the target's executives after the deal.

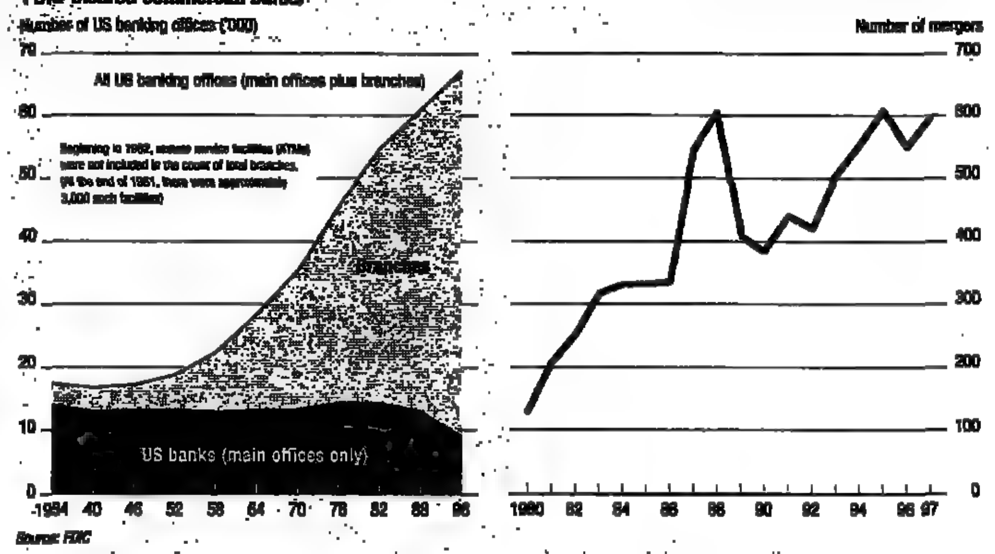
But after the merger it was hit by a series of problems with service delivery, all of which were gleefully publicised by its smaller competitors in California. Customers left, and it stock price dipped, leaving many of its most faithful backers on Wall Street feeling betrayed. It is now regarded as an almost certain acquisition target.

Now, Wells' problems integrating First Interstate mean that it will probably also lose its independence. It seems to underline a point made yesterday by Derek Sword, an analyst at Keefe Bruyette & Woods in New York: "There's only one big risk with these deals. And that's execution."

The top deals in US banking

Acquirer	Target	Date announced	Announced deal value ($bn)
NationsBank Corp	BankAmerica Corp	April 1998	67*
BancOne	First Chicago Corp	April 1998	30
Citigroup	Travelers Group	April 1998	83*
NationsBank Corp	Barnett Banks Inc	August 1997	15
NationsBank Corp	Boatmen's Bancshares Inc	August 1996	10
Wells Fargo and Company	First Interstate Bancorp	January 1996	12
Chemical Banking Corp	Chase Manhattan Corp	August 1995	11

Consideration paid to shareholders of acquired company *Includes preferred stock, options and common stock



Source: FDIC

Consumers concerned by mega-mergers

They say the customer is always right, but in the US banking industry it is not easy to know who speaks for the customer.

At the fanfare of last week's merger of Citicorp and Travelers Group, the mythical US consumer was portrayed as the driving force behind the deal.

The only snag is that groups that represent US consumers' interests have proved less enthusiastic about the new world order of financial services. They are concerned about the mis-selling of products, abuses of confidential information and a lack of regulatory protection for consumers.

"Citigroup is a merger of two giant egos," said Ralph Nader, the veteran consumer activist at the Centre for the Study of Responsive Law. "There is no rationale for this merger other than bigness, and they don't have anything new for the consumer."

Yesterday's follow-up mergers of NationsBank and BankAmerica, and of Banc One and First Chicago, have heightened fears that consumers' interests will not be protected. Consumer groups predict the merged banks will invade customers' privacy in an attempt to cross-sell products, at the same time as reducing competition by swallowing rivals.

The justice department appears to be the most likely source of governmental interference in yesterday's mergers. The size of the two deals means they will be referred to the department's anti-trust officials.

In particular, antitrust lawyers are interested in mergers that create banking giants in specific regions, such as Banc One and First Chicago's dominant position in the Midwest.

Last week the department forced another bank merger to dispose of 32 branch offices with deposits of about $1.1bn (£650m). The $16.6bn deal between First Union and CoreStates faced local opposition because of possible job losses, and was approved only after the banks agreed to sell the branches in Pennsylvania.

The banks have agreed not to prevent other financial companies from buying or leasing branches that the newly-merged company will close. Such concerns are shared by consumer groups, which accuse merged banks of closing down branches in less wealthy districts.

At least yesterday's mergers can chart a relatively clear path through the Byzantine US banking laws which date back to the Depression and post-war eras.

In contrast, Citicorp and Travelers must overcome reluctance in Congress to compromise on new laws. Without new legislation, Citigroup would be forced to sell Travelers' insurance underwriting operations within five years because it contravenes laws separating insurers from bankers and brokers.

Consumer groups hope the mergers will increase congressional interest in adding consumer protection to the latest financial bill, which is scheduled to return to the House of Representatives early next month.

But their main chance of opposing the mergers will be through antitrust measures. Stephen Brobeck, executive director of the Consumer Federation of America, said: "Unfortunately the consumer's interests are only being considered secondary by many members of Congress. Instead you simply have different interest groups lobbying against each other."

Richard Wolffe

OBSERVER

Hunter's moon

It's only seven months since Hugh McColl, dynamic boss of NationsBank, stood in BankAmerica's home town San Francisco and said he wouldn't get mixed up in any more takeovers for 18 months.

McColl said it would take that long to swallow Barnett Banks – a Florida cocktail just bought for a market-boggling $15.5bn – and "we'll make no acquisitions you could notice, maybe pick up some small things".

But the ex-marine is an old hand at sending opponents the wrong way, and maybe the announcement this year that cost-cutting from the Barnett merger was going more slowly than expected was just another feint. Anyway, McColl has always hankered after a stake in California – he has said it's the only foreign country he's interested in. If you want to be top dog in American banking you can't ignore the state where one in eight Americans lives.

One question must be whether the succession plan will stand the test of time. The banks are saying that 62-year-old McColl will head the new, merged BankAmerica for a few years, with BankAmerica's David Coulter – who's only 50 – following on in due course.

Coulter, a staid, methodical mathematician who rose through the non-consumer side of BankAmerica is very different from tough-talking, big-game-hunting McColl, and personal chemistry is as important in banking as anywhere else.

If Coulter wants a first-hand opinion on how tough a world it can be, he could ask Eugene Lockhart, recruited less than a year ago from the presidency of MasterCard International to head BankAmerica's global retail bank. Yesterday's merger seems to leave him out in the cold.

Attention now turns again to the rivalry in Charlotte between McColl and Ed Crutchfield of First Union Bank. Crutchfield brought the Hornets basketball team to town, McColl – who keeps an ebony panther on his desk – brought in the Panthers football team.

Speculation in the beggar-my-neighbour game now centres on whether McColl will take time out from bank-hunting to add the Minnesota baseball team to his trophy cabinet.

Baron's chance

Belgium may have to look to an unexpected source to safeguard its interests if France's Suez Lyonnaise des Eaux buys out the rest of its 63 per cent-owned subsidiary Société Générale de Belgique.

La Générale enjoys near-legendary status in Belgium: its creation predates that of Belgium itself. It once acted as the central bank and owned stakes in 1,200 businesses accounting for a third of Belgian GDP.

Baron Albert Frère, the reclusive financier, who has built one of the few Belgian business empires to rival that of La Générale, played only a bit part in the battle for the Belgian holding 10 years ago, when Suez intervened as "white knight" to see off an audacious takeover bid from Italy's Carlo De Benedetti.

Frère later defended his subsidiary Banque Bruxelles Lambert from a bid by ING of the Netherlands in 1992, but sold to the same bidder last year, when the price was more to his liking.

Now Frère has built up an 11.5 per cent stake in Suez-Lyonnaise, making him biggest shareholder, and a director – and there are rumours he may use some of his BBL proceeds to buy even more of the French group. For the 72-year-old steelworker's son from Charleroi, what more fitting climax to his career than an influential role in the Paris boardroom of the company controlling 100 per cent of La Générale?

Netiquette

Singapore has put a lot of effort into keeping its streets clean and tidy – anyone caught jaywalking or dropping a bit of paper is in serious trouble. Now it's trying to tidy up the Internet.

The government has just kick-started a web site to persuade internet surfers to be as buttoned-up as Singapore pedestrians. It's run by the state-funded Singapore Courtesy Council, and "offers do's and don'ts of a friendly courteous online surfer".

The NCC, a brainchild of former Prime Minister Lee Kuan Yew, has spent 20 years instructing Singaporeans on everything from toilet etiquette to how to be better neighbours, citizens and tourist hosts. Even with that behind them, tackling the rambling, unruly, chaotic internet seems a mite ambitious.

Wild horse-power

Rolls-Royce Motors may be going down the Rhine but another famous name in British automotive archives is threatening to make a super-fast comeback.

Norton Motorcycles, which disappeared without trace three years ago, is being revived by a consortium led by engine designer Al Melling, who made his name building powerplants for Formula 1 racing cars.

But while Melling is UK-grown, most of the cash behind the project is north American. Canada's Aquilini family, who own the rights to the Norton name, have climbed aboard, riding pillion to lead investor Joe Novogratz, a Minneapolis-based former gridiron football star turned entrepreneur.

If all goes to plan, the first bikes will be rolling off the production line by the autumn, but there are no plans, apparently, to enter the mass market. Norton bikes will be as pricey as Rollers in biking terms – and twice as fast.

The Financial Times

100 years ago

The Advance Of Electricity
The principle of electric traction is becoming steadily more popular in the United Kingdom, but as regards length of line and number of motor cars in operation we compare very poorly with the United States and several European countries. Statistics in the "Railway World" show that there are over 1,350 electric railways in the United States with about 16,250 miles in operation and 45,000 motor cars. In England there are only about 20 railways and tramways in operation and about 127 miles of track. Both Germany and France have been quicker than England to realise the advantages of harnessing electricity to their trams.

50 years ago

Canadian Freight Record
Montreal, April 13th. During 1947 the Canadian National Railways handled the heaviest peacetime volume of traffic in its history, and the freight tonnage was greater than in the busiest war year, states the president and chairman of the Company, Mr. R.C. Vaughan, in the annual report which has been tabled in the House of Commons by Mr. Chevrier, the Minister of Transport. The freight load reached nearly double the 1939 tonnage.

FINANCIAL TIMES
TUESDAY APRIL 14 1998

THE LEX COLUMN

Ballooning banks

Like the animals marching into Noah's ark, US financial deals are starting to pop up two by two. However, yesterday's pairings of NationsBank with BankAmerica and Banc One with First Chicago are a return to business as usual following the novelty of Citigroup.

Admittedly, the new BankAmerica can fairly claim to be the country's first truly national retail bank. But, at heart, both deals are straightforward commercial bank mergers. The value to shareholders will come largely from cutting costs and exploiting economies of scale, rather than from cross-selling or new products.

This type of consolidation has been sweeping the US banking industry for a decade, albeit on a smaller scale.

That may explain why the stock market reacted almost apathetically compared with the euphoria with which it greeted the Citigroup merger last week. BankAmerica's combined $133bn market capitalisation rose by less than $7bn, and just $2.5bn was added to the $72bn market value of the enlarged Banc One. Yet BankAmerica is promising after-tax cost savings of $1.3bn within two years.

On its blended multiple of 17 times forecast 1998 earnings, those savings would be worth a whopping $22bn. Even assuming a less generous rating of, say, 10 times earnings, the savings would still be worth $13bn.

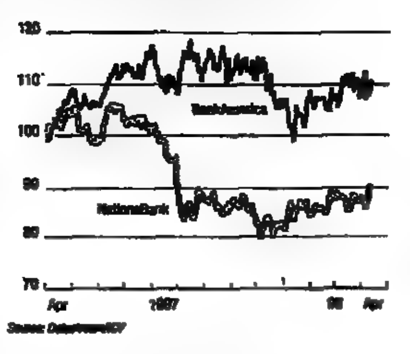
Similarly, Banc One expects $600m savings after tax, worth $6bn-$10bn depending on the multiple applied.

The market's reaction seems particularly perverse because savings from meshing together back-office functions and branch networks are much more likely to materialise than the cross-selling benefits postulated by Citigroup.

Of course, every merger carries integration risks. Indeed, NationsBank is currently behind target in extracting savings from last autumn's acquisition of Barnett Banks in Florida. But all four management teams have long experience of integrating purchases and, notably, unlike Citigroup, the key executive appointments have been settled in each case.

Furthermore, the fact that both deals are basically no-premium mergers – although there is a small uptick for First Chicago shareholders – is a healthy development in an industry where acquisition prices had soared to a worrying four to five times book value.

BankAmerica and NationsBank
Share prices relative to the S&P Banks index



Source: Datastream/ICV

The combination of strong balance sheets and growing free cashflow will also leave the new banks, particularly BankAmerica, with plenty of excess capital. Handing some of that back (as far as the pooling of interest rules will allow) would be good for shareholders and a useful discipline on management. Time for digestion before the next meal would seem in order.

German economy

Is the German economy still too weak to produce a significant turnaround in the labour market? The modest 2,000 fall in March's seasonally adjusted unemployment numbers may suggest so. With unemployment across the country equivalent to 11.5 per cent of the workforce – and 19.3 per cent in the old East Germany – joblessness remains Germany's biggest problem.

However, the picture is not without its bright spots. In the first two months of the year, unemployment fell by 112,000. The pace of this decline was always likely to slow and this is exactly what has happened. No horrors there. And while these earlier falls seem to have been driven largely by export growth on the back of a weak D-Mark, Daimler-Benz's upbeat trading statement confirms slowly strengthening domestic demand.

Higher wage increases, a cut in the solidarity surcharge and stabilising employment should fuel a rise in disposable income. And a mini-boom in consumer spending ahead of a VAT rise this month should provide a fillip to a depressed retail sector.

However, given the Bundesbank's concern with the outlook for inflation in Euroland, rate rises in the latter part of the year are likely, which would slow the economy once again. With inflation unchanged at 1.1 per cent, the case for a rise in German interest rates looks thin on purely domestic grounds.

Ironically, Germany may be among the first countries to feel the pinch of a "one size fits all" monetary policy.

Tobacco

The tobacco settlement dies and US tobacco shares gain nearly 10 per cent. Surely some mistake? Not really. The US Senate's McCain bill was such a bad deal for the industry it had nothing to lose from pulling out. Not only would the bill have nearly doubled the penalties to be paid by the tobacco companies from the $368bn proposed last June to $600bn. It also dropped the broad legal immunity from future lawsuits which the industry sees as crucial.

The resulting combination of shrinking sales, as cigarette prices soar, and a flood of new legal claims – which some analysts believe would cost $10bn a year – could indeed drive US tobacco companies into bankruptcy.

There is a risk that Congress will pass the McCain bill anyway. But shorn of the industry's co-operation it will amount to little more than a unilateral price increase, without the advertising restrictions previously agreed. And research shows that price rises alone have little impact on teenage smoking rates.

Meanwhile, the industry has threatened to use its considerable clout to portray such legislation as a hidden tax increase on the middle classes. Tax is a word all members of Congress hate, particularly in an election year.

Since both sides clearly stand to gain from further discussions, a settlement still looks possible. There is already talk of President Bill Clinton presiding over a summit in May. For investors this is good news, because any new compromise is likely to be better than the current uncertainty.

Japan's current account surplus soars to $12.7bn

Finance minister may be forced to cancel trip to G7 meeting

By Paul Abrahams in Tokyo

Japan's current account surplus nearly doubled to Y1,651bn ($12.7bn) in February, mainly because of a 17 per cent fall in the value of imports.

The surge is likely to lead to more demands from the US and Europe that the Japanese government take action to boost domestic demand.

Ryutaro Hashimoto, the Japanese prime minister, last week proposed income tax cuts worth Y4,000bn as part of a Y16,000bn package to stimulate the economy being considered by the government. Details are expected later this month.

Hikaru Matsunaga, Japan's finance minister, said yesterday that he was unlikely to attend the meeting of finance ministers and central bank governors of the Group of Seven nations in Washington tomorrow as he would need to remain in Tokyo to explain the government's economic policy to an increasingly critical parliament.

Machinery orders in February fell 14.8 per cent compared with the previous month. Kazuo Ueda, a newly appointed member of the Bank of Japan's policy-making board, said the country was in a very dangerous state and that a further cut in the discount rate may be needed from the current historic low of 0.5 per cent.

Weak domestic demand was the main factor behind the surge in the February current account surplus, which increased 97 per cent to Y1,651bn compared with February last year.

Imports, held back by weak consumer demand and falling oil and commodity prices, dropped 17 per cent year on year to Y2,509bn.

Export growth slowed sharply, but still expanded 2.1 per cent to Y3,980bn over the same period. Analysts said the deceleration was caused by a collapse in demand from Asia.

The finance ministry insisted that the trade surplus, which rose 88 per cent to Y1,471bn in February, would not continue to increase in the medium term. Sluggish exports to the rest of Asia and higher imports as a result of government moves to help the economy would bring about a change in trend.

Mr Hashimoto is under increasing pressure to do more to stimulate the economy. One suggestion is to extend the March 2004 deadline for halving the budget deficit as a proportion of GDP. Such a move would allow the government to generate additional demand through looser fiscal policy.

Mr Hashimoto said yesterday that he had not decided whether to extend the target date. He added that he had no intention of cutting the sales tax from the current 5 per cent.

Yesterday's figures gave some support to the yen against the dollar. The Japanese currency closed at Y129 against the US currency in Tokyo. The benchmark Nikkei 225 Average ended 1 per cent, or 163.54 points, down at 16,317.

Editorial Comment, Page 13
Currencies, Page 24

Liggett chief plans property development on Moscow site

By Norma Cohen, Property Correspondent

Bennett LeBow, the maverick financier at the helm of US cigarette manufacturer Liggett, is to relocate a cigarette factory in downtown Moscow and redevelop its site into a 360,000 sq ft modern office building.

Mr LeBow's Brooke and New Valley companies have formed a partnership with Apollo Real Estate Advisors, the US-based opportunity fund, and Apollo's European affiliate, Pelham Partners, to develop properties, including a new cigarette factory outside Moscow, with a total value on completion of about $400m.

The moves come amid rising interest among western real estate investors in office and retail developments in central and eastern Europe.

Existing eastern European architecture is unsuitable for the information technology infrastructure required by western European and US tenants, while shopping malls of the type sought by western retailers are almost non-existent.

Mr LeBow attracted attention by having Liggett break ranks with other tobacco companies in 1996 and settle lawsuits launched by smokers who claimed cigarettes had damaged their health. In 1995 he teamed up with Wall Street dealmaker Carl Icahn in an unsuccessful attempt to take over RJR Nabisco, the tobacco and food group.

Recently, Lehman Brothers announced plans to invest $150m in a partnership which would build up to 10 US-style shopping malls in central Europe. Credit Suisse First Boston, the investment bank, and Sam Zell, the US billionaire real estate developer, have formed New Europe Properties Advisory, which intends to invest up to $500m in central and eastern Europe, including Russia.

International investment in Russian property has had a volatile history. Paul Tatum, an American businessman, was shot dead outside the Radisson-Slavjanskaya hotel in 1996, after a bitter legal wrangle over ownership of the hotel development.

Under terms of the agreement with Mr LeBow's companies, Apollo and Pelham will inject an undisclosed sum into a partnership, Western Realty Development.

The new Moscow office building, to be owned by Western Realty, is to be part of a three-phase office complex on Gasheka Ulista in the Tverskaya-Yamskaya area of downtown Moscow on land around the cigarette factory.

The first phase of that complex, known as Ducat I, is already completed and has been sold to Citibank.

Under terms of the deal with Apollo and Pelham, Western Realty will acquire Ducat II, already completed and occupied. Tenants there include Morgan Stanley Dean Witter, Motorola and Lukoil-Arco.

The new Ducat III will also be owned by Western Realty, with construction to begin in early 1999 and completion scheduled for 2001.

See Lex

CONTENTS

Doubts are emerging over the gamble taken by Russian president Boris Yeltsin in appointing Sergei Kiriyenko, left, acting prime minister. Page 2

FT.com
FINANCIAL TIMES

Directory of online services via FT Electronic Publishing

FT.com: the Financial Times web site; online news, comment and analysis.
http://www.FT.com

The Archive: online archive of back issues of the newspaper since July 1995.
http://www.archive.FT.com

Newspaper subscriptions: information, offers and online ordering.
http://www.ft.com/newspaper/subscribe.htm

FT Annual Reports Service: online ordering of annual or interim reports and accounts of 1200 UK plcs
http://www.ft.com/newspaper/222a.htm

Cityline: how to get share prices and market reports by telephone and faxback.
http://www.ft.com/newspaper/2176.htm

Surveys: details of forthcoming editorial surveys.
http://www.ft.com/newspaper/2366.htm

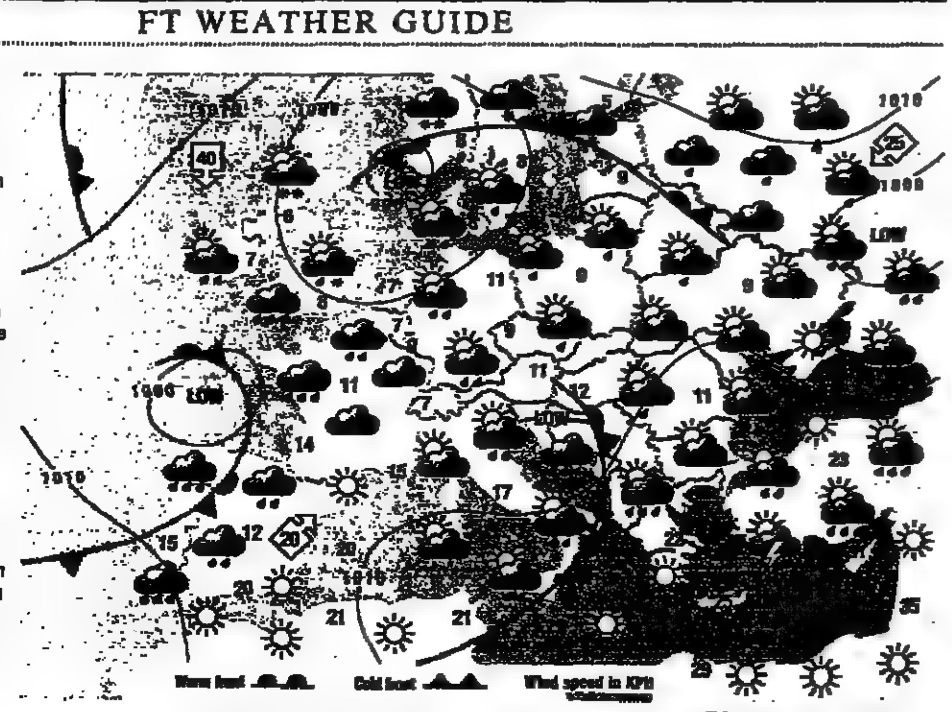
FT WEATHER GUIDE

Europe today

Northern Scandinavia will have snow showers but central parts of Norway and Sweden and southern Finland will have a spell of snow. In the south there will be sunny periods and heavy showers. The Low Countries, Germany and the Alps will be cold with sunny spells and heavy showers. Rain in the west of France will move east but southern coasts will stay dry. Portugal will be wet with the rain later moving across Spain. Showers in Italy will clear to leave a dry afternoon. The eastern Mediterranean will be hot and sunny but thunderstorms will break out in Turkey.

Five-day forecast

Western Europe will be unsettled with wintry showers. The later part of the week will be warmer but with rain. The Mediterranean and central Europe will also be unsettled with showers, heavy and prolonged at times.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

Maximum Celsius

Abu Dhabi	Sun	31
Accra	Fair	33
Algiers	Sun	21
Amsterdam	Shower	7
Athens	Fair	22
Atlanta	Fair	23
B. Aires	Fair	22
B.ham	Sleet	[illegible]
Bangkok	Fair	36
Barcelona	Cloudy	16
Beijing	Fair	32
Belfast	Sleet	6
Belgrade	Shower	12
Berlin	Fair	11
Bermuda	Shower	23
Bogota	Thunder	18
Bombay	Sun	33
Brussels	Shower	[illegible]
Budapest	Shower	12
C.hagen	Shower	8
Cairo	Sun	39
Caracas	Fair	30
Cardiff	Sleet	7
Casablanca	Shower	20
Chicago	Shower	18
Cologne	Hail	9
Dakar	Fair	28
Dallas	Sun	30
Delhi	Fair	30
Dubai	Sun	31
Dublin	Shower	7
Dubrovnik	Thunder	14
Edinburgh	Sleet	8
Faro	Shower	18
Frankfurt	Shower	9
Geneva	Shower	9
Gibraltar	Shower	17
Glasgow	Sleet	8
Hamburg	Sleet	8
Helsinki	Cloudy	5
Hong Kong	Rain	22
Honolulu	[illegible]	28
Istanbul	Sun	20
Jakarta	Thunder	32
Jersey	Shower	9
Johannesburg	Fair	21
Karachi	Sun	36
Kuwait	Sun	37
L. Angeles	[illegible]	17
Las Palmas	Fair	22
Lima	Fair	27
Lisbon	Shower	16
London	Shower	8
Lux.bourg	Hail	7
Lyon	Fair	12
Madeira	Shower	19
Madrid	Rain	12
Majorca	Fair	20
Malta	Fair	21
Manchester	Sleet	8
Manila	Cloudy	32
Melbourne	Shower	18
Mexico City	Sun	30
Miami	Fair	26
Milan	Sun	17
Montreal	Sun	15
Moscow	Sleet	4
Munich	Hail	7
Nairobi	Cloudy	27
Naples	Rain	17
Nassau	Fair	27
New York	Shower	18
Nice	Fair	15
Nicosia	Sun	31
Oslo	Hail	7
Paris	Shower	10
Perth	Cloudy	25
Prague	Hail	9
Rangoon	Sun	35
Reykjavik	Cloudy	7
Rio	Fair	29
Rome	Shower	17
S. Frsco	Fair	15
Seoul	Shower	18
Singapore	Shower	32
Stockholm	Shower	8
Strasbourg	Shower	9
Sydney	Cloudy	20
Tangier	Rain	19
Tel Aviv	Sun	37
Tokyo	Rain	18
Toronto	Cloudy	[illegible]
Vancouver	Fair	12
Venice	Fair	14
Vienna	Shower	11
Warsaw	Fair	11
Washington	Fair	19
Wellington	Rain	19
Winnipeg	Fair	6
Zurich	Cloudy	8

هكذا من الأصل

هكذا من الاصل

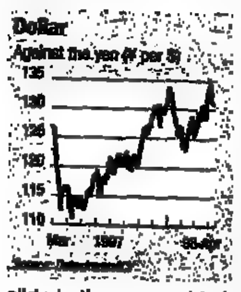
FINANCIAL TIMES
COMPANIES & MARKETS
© THE FINANCIAL TIMES LIMITED 1998 — TUESDAY APRIL 14 1998 — Week 16

INSIDE

Powerscreen's unexpected losses

A report is expected this week from KPMG, the auditors of Powerscreen International, the Northern Irish engineering company, on £46.7m ($78m) of unexpected losses run up by the company. Powerscreen says the losses arose through the mispricing of machines, unauthorised discounting and unauthorised cashing – known as discounting – of bills of exchange. The company says the problems were confined to Matbro, a specialist tractor subsidiary, and it expects the KPMG report to back up its version of events. Page 19

Stronger yen high on G7 agenda



In Washington tomorrow the Group of Seven industrialised nations may seek to boost the Japanese currency. The G7 appears to think that a stronger yen is good for the world. The rest of Asia may already be sinking into recession, and if the yen falls Japan is likely to buy fewer Asian exports. A slide in the yen could also prompt China to devalue the yuan, setting off a new wave of Asian devaluations. However, boosting the yen would fly in the face of economics. The US economy is still robust; Japan may be on the edge of recession. The fundamentals cry out for a weaker yen, but Tokyo and Washington have shown that together they can overcome economic data. Page 24

Taipei drops below 9,000

Taipei's weighted index fell by more than 2 per cent, and it closed below the psychological barrier of 9,000, at 8,863.11. The electronics sector fell 4.5 per cent as weak monthly sales figures at leading electronics makers unnerved investors. Concerns over annual earnings figures also weighed on sentiment. Page 28

Emu bubble not ready to burst

Are European stock markets becoming a bubble ready to burst? The first quarter saw many bourses hit records and fresh money still seems to be coming in. The main factor has been the lowering of interest rates in the run up to European economic and monetary union. Most analysts are reluctant to predict a downturn until after Emu in 1999. Page 29

Barclays' infant off to a good start

It is six months since the unexpected birth of Barclays Capital, following the decision by Barclays Bank to exit equities, and the fledgling capital markets business has had a healthy infancy. But it still has a long way to go before it is even close to achieving the ambitions of its driven chief executive, Bob Diamond, let alone those of Barclays' shareholders. Page 19

China tests foreigners' patience

Most things in China take time. These days, the stock markets are testing the patience of foreigners. In the first quarter of 1998, Asia's troubles – and a few homegrown economic problems, such as oversupply, weak demand and deflation – have started catching up with the Chinese economy and tripping up some of China's listed companies. Page 18

FT GUIDE TO THE WEEK

– full listings Page 32

ASIA ON THEIR MIND
The two-day spring meetings of the International Monetary Fund and the World Bank start in Washington on Thursday. They are expected to concentrate on Asia's economic problems.

SCHRODER TEST
Germany's Social Democrats are expected to endorse Gerhard Schröder, the prime minister of Lower Saxony, as their candidate for chancellor, at a one-day party conference in Leipzig on Friday. Mr Schröder will face Chancellor Helmut Kohl in the federal election on September 27.

HASHIMOTO RESCHEDULED
Boris Yeltsin, Russian president, is due to hold informal talks on Saturday, postponed from last week, with Ryutaro Hashimoto, Japan's prime minister, at Kawana, a Japanese coastal resort.

COMPANIES IN THIS ISSUE

MARKET STATISTICS

CONCERNS GROW THAT BULL MARKET MAY HAVE GIVEN RETAIL INVESTORS UNREALISTIC EXPECTATIONS

Sales of mutual funds hit record

John Authers in New York and Emiko Terazono in London

Sales of mutual funds in the US and Europe reached record levels last month, prompting fears that the bull market has given small investors unrealistic expectations.

The latest spurt of cash into US funds, combined with the strong performance of equity markets in recent weeks, may mean that the total assets of the mutual fund industry have overtaken those of commercial banks. It will be several weeks before complete figures can be compared.

The Washington-based Investment Company Institute, the trade association for the industry, estimates long-term funds took in $37.5bn in March, comfortably ahead of the previous record monthly inflow of $32.7bn, set in January 1998. Such funds include equity and bond funds, but exclude those that invest in money markets.

Equity funds took in $27.5bn, the most since January last year when they took in $28.88bn. Hybrid funds took in $2.5bn, and bond funds attracted $7.5bn. This continued a relatively strong performance for bond funds, after three years in which fixed income investments fell out of favour with small investors.

In the week ending March 25, commercial banks had $4,983bn in assets under management, according to the Federal Reserve. The mutual fund industry had $4,578.6bn under management at the end of January. Since then it has been helped by heavy cash flow and by an appreciation of more than 10 per cent in the main benchmark indices for the equity market.

The Vanguard group of Pennsylvania, the current sales leader, attracted a record net $3.7bn into equity funds alone, and $6bn to all funds. Most of this came from retail investors, rather than pension plans.

The company attempted to play down the numbers. According to Brian Mattes, Vanguard spokesman: "We are very worried. We really are trying to put a damper on these numbers because we fear it is just going to add to the engines on this stock-market bandwagon, and more people are going to want to jump on. The last thing you want to do is throw yourself on to a speeding bandwagon."

European mutual funds have also experienced a strong inflow of investments as the region's bourses posted fresh records during the first quarter.

The fund inflow has been marked in southern Europe where bond yields have fallen ahead of the convergence of interest rates under European economic and monetary union, encouraging a switch from bonds into equities.

In Spain, investment funds rose by Pta1,470bn ($117bn) in March to a total of Pta30,560bn, up 43 per cent on the year, according to Inverco, Spain's association of investment and pension funds.

Italian mutual funds saw a net inflow of L38,735bn ($58.45bn) in March, up 20 per cent from the previous month, with the net inflow into equity funds almost double the amount raised in February.

According to J.P. Morgan Securities, net subscriptions to equity funds in the first quarter were 340 per cent higher than a year ago.

Bankers tell customers pound is near to peak

By Simon Kuper in London

The era of the rising pound is nearly over, several investment banks are telling their customers.

Sterling has gained 27 per cent against a trade weighted basket of currencies since August 1996, hurting UK exporters, raising the risk of recession and embarrassing a government that has appeared powerless to restrain it.

But since the start of April the pound has weakened by seven pfennigs against the D-Mark to DM3.04. Investment banks, including Goldman Sachs, J.P. Morgan and Paribas Capital Markets, say sterling is losing its two main supports: rising UK interest rates and Britain's status as a safe haven for those with doubts about European economic and monetary union.

Banks are wary of predicting an imminent collapse of sterling, as many such forecasts have been proved wrong over the last 20 months.

However, there is a growing consensus that the pound's decline will be firmly entrenched by the end of spring. One banker said some of his larger speculative clients were starting to bet on a sharp sterling decline.

UK base rates, now at 7.25 per cent, are expected to rise by at most another 25 basis points before falling later this year. They are the highest in the developed world and have attracted investors into gilts and other sterling-denominated assets.

The likelihood that rates may already have peaked increased last Thursday, when the Bank of England's monetary policy committee left them on hold. In the money market, the June 1998 short sterling futures contract is still pricing in a better-than-evens chance of one more increase.

Even a rate rise could puncture sterling, as the Bank could accompany an increase with a statement saying that rates were now on hold for the foreseeable future.

Also threatening sterling is the German economic recovery, which is helping the D-Mark to rally under its own steam.

Goldman Sachs, the US investment bank, said that "in view of rising European economic growth" the German currency would gain against sterling and other currencies after May. The D-Mark has collapsed from DM2.20 against the pound in the last two years.

Nick Parsons, currency strategist at Paribas Capital Markets in London, said UK economic growth might be the lowest in the European Union this year. The May announcement of countries due to join Emu next year will also remove one of the last main doubts over monetary union and could take more shine off the pound.

Cold comfort for BoE, Page 8

Sterling: on the way down?
Trade-weighted index

Source: Datastream/ICV

Otis cuts 2,000 jobs in wake of Asian crisis

By Victoria Griffith in Boston

Otis Elevator, the world's largest elevator company, is cutting 2,000 jobs worldwide in response to the dramatic impact of the Asian crisis.

Slowing sales in the Far East have led to the restructuring at the Connecticut-based company, a subsidiary of United Technologies. Otis said yesterday it had experienced double-digit declines in sales in a number of Asian countries, including Malaysia, Indonesia and Japan.

To boost efficiency, it slashed 900 jobs in the last few months of 1997 and planned to cut another 1,100 this year, mostly outside the US. It closed its Paris headquarters and was about to close 13 of its 19 engineering centres.

The company said the restructuring would result in a charge to first quarter results. But this would be offset by money from a favourable settlement of a contract dispute at another division of United Technologies. Another subsidiary, Carrier Corporation, announced a first quarter charge earlier this year.

Otis, which has followed a highly decentralised strategy, hoped better co-ordination of its global operations would offer economies of scale. More power would be concentrated at the group's Connecticut headquarters.

Two senior vice-president posts had been created in Connecticut: a head of global product strategy and a head of global operations. Otis said it was looking for synergies that would allow it to cut costs, including simultaneous worldwide product launches.

"Our highest priority is to set a new direction for Otis – a direction that embraces global thinking, decision-making and behaviour, unparalleled product quality and being first to market with new and innovative products and services," said Stephen Page, the group's chief executive, who took over in January last year.

Otis employs 68,000 people worldwide, 61,000 of them outside the US. Its revenues in 1996 were $5.6bn. The company said that even before the Asian crisis, falling profit margins and fiercer international competition were causing management to rethink strategy.

"We have grown a lot in the last decade, but sometimes size gets in the way," said Mark Grenato, a company spokesman. "We are looking for ways to make it work to our advantage."

Tabacalera sale aimed at small investors

By Tom Burns in Madrid

Tabacalera, the Spanish tobacco producer and distributor, yesterday launched a $2bn privatisation issue confident of strong demand from small savers despite heavy competition from other major issuers.

The sale of 52.3 per cent of Tabacalera, owned by Seppa, a finance ministry agency, will be completed on April 28 and is expected to raise some Pta342bn ($2.2bn) before costs.

The disposal is heavily weighted towards the domestic market to take full advantage of the appetite for equity investments among Spanish savers.

The general index of Madrid's Bolsa has put on more than 40 per cent since the beginning of this year and analysts believe that there is sufficient outstanding demand for equity investors to absorb the new offerings that are tapping the market.

The offer structure mirrors the successful Pta350bn February market sale of Seppa's remaining 29 per cent stake in Argentaria, the banking group, as the government makes the most of buoyant market conditions.

Tabacalera's sell off coincides with a one for eleven rights issue by Telefonica, the telecoms company, which is expected to raise Pta427bn and it precedes a record-breaking offer by Endesa, the power group, which will be fully privatised in May/June. The Endesa issue is worth Pta1,366bn, twice the size of the last sale of state-owned equity in the power group in October.

Seppa expects the sale to increase the number of Tabacalera shareholders from 14,000 to more than 300,000. To ensure extensive domestic distribution of the stock, Argentaria, Banco Bilbao Vizcaya and Banco Central Hispano, three of Spain's top four commercial banks, will co-ordinate the offer with Merrill Lynch, the US bank.

Small savers have been allocated 63.2 per cent of the initial offer; domestic and international institutions have been allocated 9.2 per cent and 18.4 per cent respectively; and 9.2 per cent has been allocated to a so-called 'green shoe' over-allotment tranche.

Domestic retail investors, which were allocated 60 per cent of the Argentaria sell-off, subscribed for 27 times the number of shares offered.

PETER MARTIN

Final turns in the cycle

Scarcely a week goes by without another giant financial services merger: Morgan Stanley/Dean Witter, SBC/UBS, Citicorp/Travelers, NationsBank/BankAmerica, Banc One/First Chicago. Some days, indeed, the mergers come in twos, like London buses. Yesterday was one of those days.

To the participants, the event is all-consuming. From an investor's point of view, however, it now seems almost routine. A stock swap, a sharing out of board positions, a new logo. A day or two's comment and then oblivion. One giant merger comes to seem just like another.

Despite their apparent similarities, however, these mergers differ significantly, as do the investment implications. The SBC/UBS merger is founded on cost-cutting, carried out with relentless efficiency largely by SBC. The need for cost cuts reflects the relatively weak position of the big continental European banks: they have failed to establish themselves in the top ranks of the global investment banking league. At home, their domestic profitability is under threat – doubly so in the case of banks based in the euro area, where a new banking era is only eight months away.

These forces mean there are certainly more European mergers to come. Cutting costs in Europe is never easy, so there is some operational risk in such deals. But the strategic risk is low. Indeed, the biggest risks may be run by those banks that fail to find partners with which they can carry out cost cuts.

Morgan Stanley's merger with Dean Witter, like Travelers' acquisition of Salomon Brothers and its much more ambitious merger with Citicorp, falls into a different category. It is about cross-selling one partner's services to the others' customers – and vice versa. There is some cost-saving potential, particularly in computer systems. But there are also considerable costs in terms of complexity. Top managers will have to handle a far more complicated business; front-line service staff will have to sell a richer mix of products.

Both strategically and operationally, these are extremely risky transactions. Their success depends in large part on transforming the way customers think about their financial relationships. And customers' attitudes are less controllable than, say, headcount.

That leaves the third sort of merger: between domestic commercial banks. These are most evident in the US, but are also seen in Italy, Germany, Australia and the UK. Here both strategic and operational risks are low. Legal and cultural barriers have until now prevented banks from operating at their most efficient. With the barriers removed, such mergers can take place.

The only risk, in the US at least, is that the creation of giant national banks may be taking place just when branch banking is becoming obsolete. If customers are about to migrate to electronic relationships with their banks, traditional banking will come under strain. But the newly merged US banks will face no greater challenge in adjusting than their smaller rivals. Arguably their strong brand names and capital spending will allow them to make the transition more smoothly.

There is one other significant aspect of these transactions as far as investors are concerned. Most of them are stock swaps or other all-paper transactions. That is scarcely surprising, given the risks and the scale of the transactions. However, it is also a characteristic development in the later stages of a stockmarket cycle.

So is the willingness of managers and investors to ignore the riskiness of some of these transactions. Investors have not merely pushed up the shares of participants but the level of the overall market. The joyous reaction to the Citicorp/Travelers merger, in particular, is enough to reawaken Alan Greenspan's fears of "irrational exuberance".

The Citigroup deal may be the triumph its instigators promise. But it is hard to believe the sharp rise in the companies' shares reflects a measured judgment of the balance of risk and reward.

peter.martin@FT.com

Observer, Page 13
Lex, Page 14

PATENT RIGHTS PRELIMINARY COURT RULING ISSUED OVER ALLEGED COERCION ON COMPUTER CHIPS

Intel 'may have violated anti-trust law'

By Louise Kehoe in San Francisco

A US court has issued a preliminary ruling finding "substantial likelihood" that Intel, the world's largest chipmaker and the dominant supplier of microprocessor chips, may have violated US anti-trust laws.

The preliminary ruling, issued by a US Federal Court in Alabama, stems from a lawsuit filed in November by Intergraph, a manufacturer of computer workstations. Intergraph charged Intel with anti-competitive behaviour, contract violations and patent infringement.

In its complaint, Intergraph alleged Intel was using its dominant market position to "coerce" the workstation manufacturer into giving up patent rights on certain chip designs.

Intel was withholding information about new microprocessor products in an effort to force Intergraph to give up its patent rights, Intergraph alleged.

Intel said it was disappointed by the preliminary *ruling and planned to* appeal. The case revolved around a dispute over Intergraph's moves to collect patent royalties from other users of Intel microprocessor chips, Intel said.

The court ordered Intel to make product samples and advanced information about new microprocessors available to Intergraph. The chipmaker said it typically shared advanced product information only with customers that agreed to put *"substantial resources" into* collaborative development efforts.

In the preliminary ruling, the court said there was substantial likelihood that Intergraph would succeed in proving that Intel had acted "in restraint of trade" in violation of US antitrust laws.

"This ruling is a very pivotal development, not only for Intergraph but for the entire computer industry," said Jim Meadlock, Intergraph chief executive. "The *court is sending an unmis*takably clear and far-reaching message to Intel that there's no place for coercive, monopolistic conduct in the computer industry."

The ruling comes at a time of heightened awareness of anti-trust issues in the computer industry, with the US Justice Department conducting a broad anti-trust investigation into Microsoft, Intel's software partner in the personal computer industry. The Microsoft *investigation* could lead to charges that the software company has abused its alleged monopoly in the personal computer market.

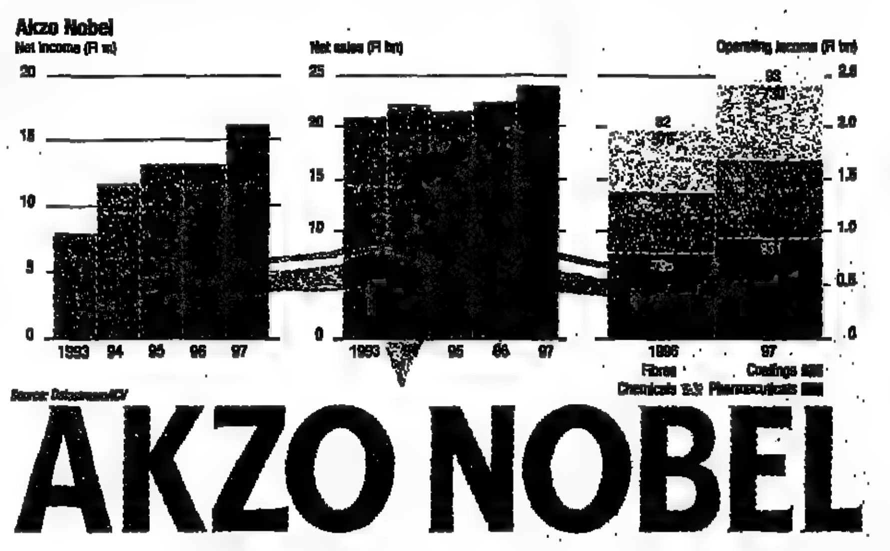
Intergraph *shares gained* 15 per cent on news of the ruling to trade at $8⅞ in mid-session yesterday, up from Friday's close of $7⅝. Intel was trading at $71⅛, up from $73⅝.

Takeover of Courtaulds could add gloss to Akzo Nobel

Successful bid would make Netherlands-based group world leader in paint and help restructure fibres industry, **writes Gordon Cramb**

Cees van Lede, chairman of Akzo Nobel, put it bluntly. "This company has not grown, but people do not like to say that. Take out Nobel and [revenues have] been Fl 16bn ($7.8bn) for a long time."

Revenues for the whole of the Netherlands-based group, including the contribution of Nobel, the Swedish chemicals producer acquired in 1993, reached Fl 24.05bn last year. The 7 per cent annual rise depended slightly more on exchange rate shifts than increased volumes, however, and selling prices for its products weakened, eroding the benefit of productivity gains.



After a year of divestments, net profits rose 23 per cent to Fl 1.62bn. Presenting those results in late February, Mr van Lede said that by contrast, this would be a year of acquisitions. Last week Akzo lent substance to that by saying it had made a £1.8bn ($3bn) bid approach to Courtaulds of the UK, which was otherwise going to split itself up.

Such a deal would help Akzo's aim to grow in coatings – taking it to top position in the world market for paint, where it has rivalled Britain's ICI. It would do little for Akzo's plans in pharmaceuticals, the other sector it targets for expansion. But it would offer a possible resolution of the problems in both companies' fibres operations.

Mr van Lede says Akzo wants to participate in a restructuring in the fibres industry. He describes it as a "lousy business".

While at his most passionate defending the efforts of management in that division to improve performance, he put a stop to what had been a persistent flow of cash from Akzo's lucrative pharmaceuticals operations to the fibres side. Managers there are now responsible for funding their capital needs from a return on sales which reached only 2.6 per cent last year, compared with a target of 7-10 per cent.

To reduce costs, viscose operations are being transferred from the Netherlands and Germany to Poland. And its world-leading activities in industrial fibres, used for conveyor belts and car seat belts, are due to be put into a joint venture with Sabanci of Turkey next month.

A takeover of Courtaulds would increase its exposure to fibres, the last thing Akzo wants. It said last week that it would therefore "investigate the most appropriate means of spinning off the combined fibres business, including demerger".

Analysts can see no likely trade buyer for such an operation, so the business would need to be floated. Spin-offs to shareholders are to become more tax-efficient under changes to Dutch law.

On the Amsterdam stock exchange, Akzo shares ended the week lower as the magnitude of the task sank in. Following an initial 3.5 per cent gain, they closed last Thursday at Fl 411, standing Fl 2.10 below the level they were at when the group confirmed its interest in Courtaulds.

Standard & Poor's, the rating agency, said that from a business perspective the proposed deal was positive. It added: "This would, however, in the short term be more than compensated by the negative implications on the group's financial posture, as a debt-financed cash offer in excess of £1.5bn more than doubles the group's net debt." S&P put Akzo's A-1 credit rating under review for a downgrade.

Akzo has a current market value of some Fl 29.31bn. On a Fl 21.46bn December balance sheet total which Mr van Lede says "looks excellent", long-term debt is only Fl 2.02bn against shareholders' funds of Fl 9.04bn.

Its trading picture will be refreshed next week when the company produces first-quarter results and holds its annual meeting. Questions about the Courtaulds proposal will seek to push Akzo beyond its 12-line statement of last week. This spoke of talks which "may or may not lead to a cash offer" of 450p a share.

Akzo shares have underperformed the Dutch market for more than two years. Most analysts see potential for better valuation of a company which has proved the least cyclical in the European chemicals industry. Salomon Smith Barney describes its drugs division as having the best margins and growth history of any of its peers.

Recent expansion in pharmaceuticals has in significant measure been generated internally. "Organic growth is the best growth there is," says Mr van Lede. But across the group, he implies, there is not enough.

Takeovers will not see it stray beyond its current business groups, he says. "We are trying to simplify our structure if anything." In coatings it had been looking at Asia and eastern Europe. "There are a lot of companies out there . . . in which we are interested."

But the Courtaulds opportunity suddenly turned Akzo in that direction.

Former Club Med chief plans venture

By Andrew Jack in Paris

The former chairman of Club Méditerranée, the French leisure group, is planning to launch a new holiday village company targeted at older clients seeking greater freedom.

Serge Trigano, the son of the joint founder of Club Med, is in discussions with investors about creating a company that would manage holiday resorts, with sales and marketing conducted by telephone from Paris.

His action comes just over a year after he was evicted as head of Club Med in a *shareholder revolt* by leading investors, who replaced him with Philippe Bourguignon, the former head of the Euro Disney leisure park based outside Paris.

Mr Trigano has maintained strong contacts in the leisure industry, and believes that his name – associated with both Club Med and other holiday activities including camping – will provide a strong pull, especially for French clients.

He plans to offer management contracts to hotels which would offer an "à la carte" service of activities for clients aged over 40. He *intends to begin advertising* in the summer, with the first holidays offered next Christmas.

Mr Trigano – like Mr Bourguignon *since* – *has* long defended the pioneering Club Med approach, by which clients pay for an all-inclusive holiday package with no additional charges based on the services they use, the activities in which they participate, and the type or quantity of food they eat.

However, he believes that there is a gap in the market for packages which offer fewer "compulsory" evening *activities than Club Med,* and cater for more flexible holiday periods from upwards of two to three days.

His approach would also allow the development of a company – likely to be called Trigano Resorts – with relatively little capital, although *he* is holding talks with a number of North African investors who have expressed interest in the venture.

PolyGram considers Latin America move

By Alice Rawsthorn

PolyGram, the Dutch entertainment group, is considering plans to extend its film distribution interests into Latin America by establishing operations in Argentina, Brazil and Mexico.

Michael Kuhn, president of PolyGram's filmed entertainment division, described Latin America as a logical addition to the group's existing network of film distributors. "We're just about to take the decision to go into it," he said.

PolyGram, already one of the world's largest record companies with acts such as U2, Pulp, Hanson and All Saints among its artists, has *invested $1.2bn in its film* interests since 1991 in an attempt to rival the Hollywood studios.

Retaining control over the distribution and marketing of its films, which include *Trainspotting* and *Bean*, has been an important element of its investment strategy.

PolyGram, a subsidiary of Philips, the Dutch consumer electronics concern, has now established film distribution operations in larger European markets, most recently in Italy. It also has distribution arms in Australia and the US.

Michael Kuhn: Latin America a logical move *Trevor Humphries*

Mr Kuhn recently completed a tour of Latin America to assess the feasibility of tion there. He plans to establish operations in Argentina, Brazil and Mexico to co-ordinate film distribution in neighbouring countries.

PolyGram will look for local joint venture partners to handle cinema distribution in the three countries, and appoint salesforces to look after the video rental sector.

Distributing videos to retail outlets will be handled by its record companies in the region. Mr Kuhn hopes the Latin American venture will come on stream by the end of next year.

Mr Kuhn is also keen to extend PolyGram's film production interests in Europe by financing German-language productions.

GM to relocate international HQ in Detroit

By William Hall in Zurich

General Motors, the world's biggest car company, is shifting its international headquarters from Zurich back to the US in a bid to tighten control of its rapid international expansion and end a bitter power struggle inside its European operations.

Lou Hughes, 49, president of General Motors International Operations, and about 30 other senior executives and managers, are being transferred from Zurich to GM's new global headquarters at the Renaissance centre in Detroit, Michigan, in September. European operations will continue to be supervised from Zurich.

GM transferred its international headquarters from Detroit to Zurich in 1994 after Mr Hughes succeeded Jack Smith, GM's current chairman and chief executive, as head of international operations.

Mr Hughes was already in Switzerland, and Zurich was upgraded to be GM's international headquarters because it was midway between south-east Asia and North American time zones. However, Mr Smith said an acceleration in the globalisation of GM's business required a "closer interaction" of GM's top executives.

"Having Lou and members of his team based in Detroit will enable us to work even more effectively with one another," he said.

Mr Hughes, sometimes tipped as a successor to Mr Smith, has overseen GM's growing operations in Asia and South America, as well as Europe. But he has clashed with managers and union representatives at Adam Opel, GM Europe's biggest subsidiary, where he used to be chairman.

Under Mr Hughes, Opel's German technical development centre has spearheaded GM's new international vehicle and manufacturing projects.

Opel engineers have been sent to build new GM factories in countries as far afield as Poland, Argentina, China and Thailand.

However, profits of GM Europe have fallen sharply and Opel has lost market share to Volkswagen.

FUND MANAGEMENT COMPETITION INTENSIFIES AS DENATIONALISED COMPANIES CONSIDER REPLACING F&C

Electricity pensions head for split

By Jane Martinson, Investment Correspondent

Trustees of one of the largest pension funds in the UK will meet later this month for the last time before the scheme breaks up.

The meeting of electricity *pension scheme trustees* is set to give final approval for a separation which has been eagerly awaited by the fund management industry for *almost* two years.

Contestants in a fund management "beauty contest" hope to win even a fraction of the prize of almost £16bn ($27bn) of funds to manage.

Yet the size and complexity of the competition mean it is likely to be several months more before the outcome is known.

The contest started when Foreign & Colonial, which is controlled by Germany's Hypo-Bank, bought ESN Pension Management Group, the electricity industry *pension scheme, for £53m* almost two years ago.

The scheme combined the pension funds of the 21 companies which had *formed the nationalised* electricity industry, including the generators and regional electricity supply companies.

The F&C deal involved a contract to manage the scheme's assets, with the understanding that from this April each member company would be able to take the management of its share elsewhere if it chose to do so.

The extremely complicated mechanism also demanded permission from the central trustee body of the scheme.

Complexity is only a small part of the reason for the scheme's secrecy. The outcome could have a big impact on the UK equity market, as new managers *reshape the holdings.*

Nigel Morecroft, director of pensions at F&C, said the uncertainties were understandable.

"This is a fairly byzantine structure and it's also market-sensitive," he said.

Even F&C claimed not to know when trustees of the central body were meeting last week to complete legal requirements allowing segregation to take place.

One scheme insider said Wednesday's meeting offered the last chance to "clear the decks" before the final meeting in the next two weeks.

Few industry observers are expecting a big bang to result from the next meeting. Instead, it is expected to launch a 10-day period during which individual schemes will have to notify interested parties that they have decided to *replace F&C.*

Few people know how much business F&C will lose. The company has performed well since taking over the electricity business, and in the 15 months to the end of December its overall performance was 1 percentage point above the industry average, following a creditable performance in 1996.

At the same time its largest competitors have suffered performance problems.

"I think it's fair to say that the major managers in town are not in a great position to take business away from F&C," said one leading consultant last week.

Most industry consultants expect F&C to continue holding sway over between 50 per cent and 75 per cent of the assets. At least £4bn of assets is likely to be placed under new managers.

Several transition managers have been hired to ensure that the costs and risks of such a huge manoeuvre are kept low.

These managers are likely to try to keep costs down by doing as much trading within the schemes as possible. This means that if one newly appointed fund manager wants to sell shares which another wants to buy, the deal will be done directly.

Secrecy is of the utmost importance in a scheme of this type.

As one transition manager put it: "If I had anything to do with this, I would keep as many people guessing as possible until it was all finished."

NEWS DIGEST

FOOD

McDonald's affirms commitment to Asia

McDonald's, the US fast food company, said it was experiencing "some short-term negative impact" in the Asia-Pacific region because of economic downturns in several south-east Asian markets, but said it was "in this for the long-haul".

Jim Cantalupo, chief executive of McDonald's International, acknowledged that restaurant openings had been scaled back in some countries, but reaffirmed the company's commitment to the region, saying the group planned to invest about $1.5bn there over the next three years.

McDonald's was *putting itself in a position* to "ride out the storm", Mr Cantalupo said. "We've found when we do that, many of our competitors cannot afford the cost and abandon ship, and we emerge with a stronger market position."

McDonald's has 4,500 outlets in 17 countries in the Asia-Pacific region and plans to open 2,000 more in the next three years. **Richard Tomkins, New York**

OIL AND GAS

AgipPetroli eyes China

AgipPetroli, a subsidiary of the Italian oil and gas company Agip, is set to take a significant equity stake in a $1.6bn project to build an oil refinery in southern China.

The deal, which Chinese officials said is due to be signed this week, represents an important step in the opening of China's refinery business, which has remained largely off limits to foreign companies. It also provides further evidence of Beijing's increased willingness to approve large foreign projects to prevent investment inflows from drying up, bankers said.

The exact size of AgipPetroli's planned equity stake in the refinery was not divulged. It is to be built in Lingao County on the southern island of Hainan and have a processing capacity of 120,000 barrels a day.

There is a possibility that AgipPetroli may be allowed to participate in a petrol station business, added the officials, who declined to be identified. **James Kynge, Beijing**

SEMICONDUCTORS

TSMC doubles revenues

Taiwan Semiconductor Manufacturing, the world's biggest foundry chipmaker, shrugged off uncertainties in the chip industry to more than double first-quarter revenues.

The company, which specialises in custom-made chips, said its January-March sales jumped 106.9 per cent from the same period in 1997 to T$15.74bn (US$477m). The company attributed the strong performance to increased production capacity, a nearly fully-booked production schedule and an exceptionally high yield of usable wafers. In March alone, sales rose to T$5bn from T$2.6bn in March 1997. The figures are unaudited. The company did not provide a profits figure. Analysts said the result was in line with expectations. **Laura Tyson, Taipei**

MEDIA

Australis seeks protection

Australis Media, the embattled Australian pay-TV operator, has sought court protection from creditors as part of a settlement with US bondholders owed US$446m by the group. Australis Holdings, a wholly-owned subsidiary, on Thursday filed a Chapter 11 petition in a US court to give it time to restructure its debts and secure new capital. Under a plan being negotiated with creditors and shareholders, the company will convert some of its debt into equity and secure US$100m of new capital. **Mark Mulligan, Sydney**

METALS

Eramet advances 27.5%

Eramet of France, the world's biggest producer of ferro nickel and high-speed steels and the third largest manganese group, reported a 27.5 per cent rise in 1997 net income to FFr389m ($63.8m) helped by the strength of the dollar against the franc and improved performances in all divisions.

Yves Rambaud, chairman, said the Asian crisis had not affected deliveries for the first half. While Eramet would be adversely affected by the present low nickel price, it would benefit from the strong dollar and good performances from its high-speed steels and manganese operations.

He said that none of the world's nickel producers was profitable at present nickel prices but "whatever happens to the nickel price, Eramet will remain profitable in the first half".

Eramet, which was floated by the French government in 1994, is increasing its dividend payment by 13.6 per cent to FFr7.50. Earnings per share were up by 25.8 per cent to FFr25.04. Operating cash flow improved by 42.3 per cent to FFr919m and net cash at the year-end was FFr442m against FFr199m. **Kenneth Gooding, Mining Correspondent**

FINLAND

IPO for energy merger

An initial public offering of shares in the proposed merger between Finland's state-owned power group Imatran Voima (IVO) and the Neste Oy integrated oil company could take place this year, according to officials in Helsinki. This week IVO-Neste will formally notify the European Commission of the impending tie-up, which will create one of Finland's largest industrial concerns. IVO-Neste hopes to have a decision from Brussels by May or June. **Robert Corzine**

RUSSIA

Gazprom aims to raise $200m

Gazprom has launched the first substantial syndicated loan by a Russian company since the Asian crisis, hoping to raise at least $200m.

The latest Gazprom deal, which is being lead managed by Deutsche Bank and Enskilda Debt Capital Markets, is being made directly to Gazprombank, a wholly-owned subsidiary of Gazprom. The core bank group has underwritten $165m of the loan.

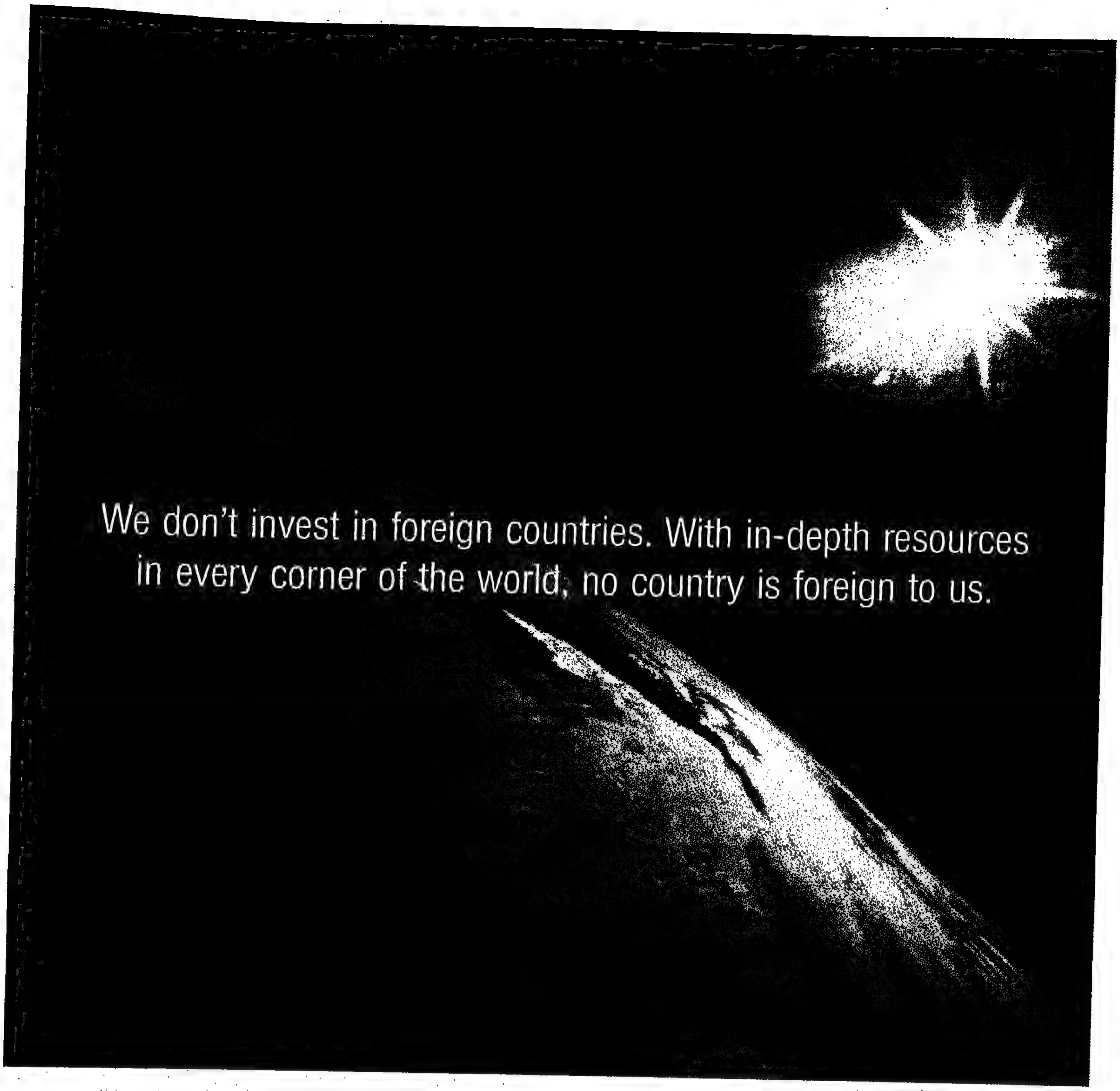
Gazprom is paying 400 basis points over Libor, with a further 25 basis points of fees for banks that take more than $5m. **Simon Davies**

CHARTERHOUSE

Chairman to step down

Michael Hepher, chairman and chief executive of Charterhouse, the merchant bank, is to step down on June 30 now that Crédit Commercial de France has acquired control of the bank by buying a 50 per cent stake from BhF-Bank of Germany. Mr Hepher, who joined Charterhouse from British Telecommunications two years ago, is expected to receive compensation of about £1m ($1.67m). He will be replaced by David Parish, chairman and chief executive of the bank's stockbroking arm. **Vincent Boland**

هكذا من الأصل



BANKING MERGERS INDUSTRY STILL FRAGMENTED DESPITE THE LATEST MEGA-DEALS

US bank consolidation gathers pace

By Tracy Corrigan and John Authers in New York

Yesterday's two giant mergers in the US banking industry mark a significant consolidation of already strong forces in the US retail banking market.

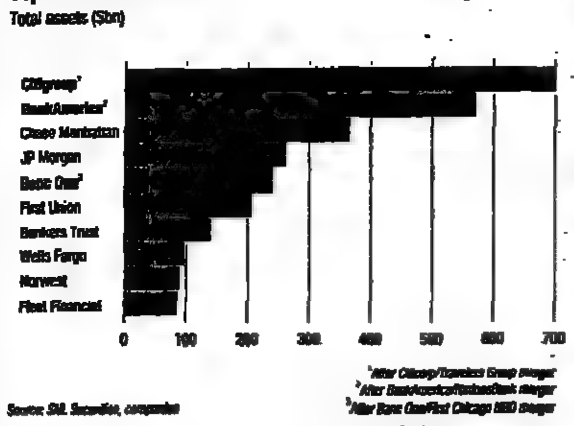
The union of BankAmerica, fifth largest US bank by assets with its strong West Coast franchise, and NationsBank, third largest and with a powerful position in the south-eastern US, creates the largest and arguably most broadly based bank in a still fragmented industry. Its share of the consumer deposit market, at 8.1 per cent, will be more than double its nearest competitor.

Banc One's amalgamation with First Chicago NBD will create the country's second largest credit card issuer, after Citicorp, and will be the dominant bank in the mid-west – one of the few areas of the country not heavily covered by the new BankAmerica. The banks ranked seventh and eighth by deposits before the deal.

Both deals had been widely predicted. Hugh McColl, NationsBank's highly acquisitive chief executive, approached BankAmerica about a potential deal in 1995, and has never hidden his desire to build a presence in California, saying it is the "one foreign country which interests me".

Top 10 US banks

Total assets ($bn)



Source: SNL Securities, companies

The bank will now be the largest bank in the four fastest growing states by population – California, Florida, Georgia and Texas.

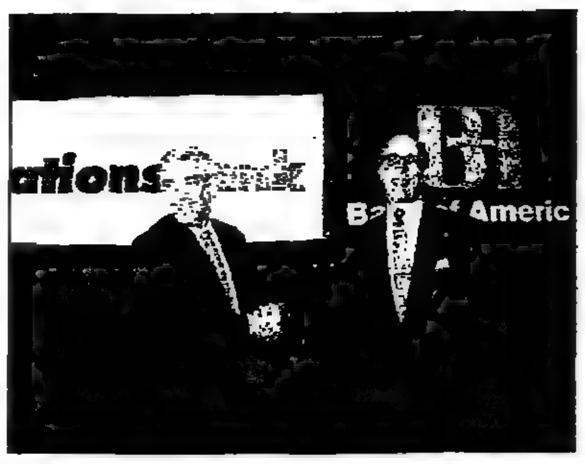
David Coulter, president of the new BankAmerica, said yesterday that the combination realised the dream of BankAmerica's founder, AP Giannini to "become America's bank. In AP's day, the dream was branches. Now customers have access to branches, ATMs, telephones, PCs and soon, television connections".

The new company will initially be run by Mr McColl, who is 62. But BankAmerica's Mr Coulter, who is 50, is due to take over the reins.

The banks announced four other senior executive appointments. James Hance of NationsBank will be vice-chairman and chief financial officer. Kenneth Lewis of NationsBank will be president of global retail banking. Michael Murry of BankAmerica will be president of global wholesale banking and Michael O'Neill of BankAmerica will be president of financial services and will be in charge of the transition.

The new 20-strong board of directors will be made up of 11 from NationsBank including Mr McColl and nine from BankAmerica including Mr Coulter.

Analysts suggested this meant NationsBank's culture would prove dominant in the new merged company, even though it is to take the BankAmerica name. This is indicated by the choice of Mr Lewis rather than Eugene Lockhart, head-hunted last year from his job as chief executive of MasterCard International, to run BankAmerica's retail division.



Shake on it: Hugh McColl, left, and David Coulter Picture: AP

The parties also said they intended to use NationsBank's "model banking" platform, which uses a common database to co-ordinate sales across all delivery channels and product lines, as the basis for the reorganisation.

Each BankAmerica shareholder will receive 1.1316 shares of the new Bank America per existing share. NationsBank shareholders will receive existing shares, which will automatically become shares in the new company. No premium is being paid. Retail operations will be run from NationsBank's current headquarters in Charlotte, North Carolina, while the wholesale bank will be in BankAmerica's San Francisco headquarters. This is in line with the current strengths of the two banks.

Banc One and First Chicago's merger will create the largest lender to small business, with 425,000 customers, as well as the second largest credit card issuer, with 56m customers. Only last year, Banc One paid $7.2bn to acquire First USA, one of the largest specialist credit card banks in the US.

The bank, which will be called Banc One, will be run by John McCoy as president and chief executive officer and Verne Istock as chairman. Richard Lehmann, currently president and chief operating officer of Banc One, and David Vitale, currently vice chairman of First Chicago, will be vice chairmen.

Analysts said the fit between the two companies made sense both in terms of geography and business mix. First Chicago is predominantly a corporate and wholesale bank, although it has large retail operations in Chicago and Detroit, while Banc One has concentrated on building a consumer retail network.

Shareholders of First Chicago NBD will receive 1.62 shares of Banc One common stock for each share of First Chicago NBD. Current Banc One shareholders will own about 60 per cent of the new company and First Chicago shareholders about 40 per cent.

First Chicago, the product of a defensive merger three years with National Bank of Detroit, had been expected to sell before long. It was keen to maintain its base in Chicago.

Banc One has made a series of acquisitions, and also has operations in a range of western and southern states, including Utah, Arizona, Colorado, Texas and Louisiana. Its headquarters will now be moved from Columbus, in Ohio, to Chicago.

Merrill and DLJ rocket on mergers

By Richard Tomkins in New York

The merger frenzy gripping corporate America helped drive up first-quarter profits to record levels at Merrill Lynch and Donaldson, Lufkin & Jenrette, two big Wall Street securities firms.

Merrill Lynch yesterday reported an 11 per cent increase in net earnings to $518m, or $1.30 a share diluted, and DLJ reported a 55 per cent increase in net earnings to $134m, or $2 a share diluted.

Both figures were well ahead of expectations. Analysts had been forecasting earnings per share of $1.14 for Merrill Lynch and $1.49 for DLJ.

Merrill Lynch, which co-advised NationsBank and Banc One in yesterday's big banking mergers, ranked number one for the first time in announced and completed global mergers and acquisitions in the first quarter, according to Securities Data.

Merrill Lynch's investment banking revenues rose 33 per cent to $801m as a result of near-record underwriting revenues and strategic services fees – the latter, it said, benefiting from *strong M&A activity*. The firm declined to comment on continuing speculation that it might itself seek a merger partner. But the question seems likely to arise at the annual meeting today.

Merrill Lynch's net revenues – total revenues minus interest expense – rose by 20 per cent to $4.6bn, with records achieved in commissions, principal transactions, and asset management and portfolio service fees.

The firm maintained its position as the leading underwriter of total US debt and equity. Its market share of completed US deals was 39.3 per cent.

Strong financial markets helped DLJ set records for commissions, underwriting revenues and fee income in the first quarter, and net revenues rose 47 per cent to a record $1.1bn.

Fee income from DLJ's role as an adviser in bids and deals rose by 75 per cent to a record $255m. The firm ranked seventh in the Securities Data listings of US and international mergers announced.

Another Wall Street firm, PaineWebber, also announced record profits yesterday, with a 20 per cent increase in net earnings to $121m, or 77 cents per share.

EMERGING MARKETS FOREIGN INVESTORS HAVE SAT ON THE SIDELINES WATCHING DOMESTIC MARKETS SURGE

China – a tale of two stock markets

By James Harding in Shanghai

Most things in China take time. Whether you are buying a railway ticket or *restructuring a rusty state-owned enterprise*, you have to be prepared for a long and often frustrating wait.

These days, the stock markets too are testing the patience of foreigners.

The shares for international buyers that are listed in Shanghai and Shenzhen have huge upside potential, but prices stubbornly refuse to rally. Instead, stocks are languishing and lacklustre news seeps daily from corporate China – thereby derailing new issues, deterring bargain-hunters drawn by the relatively low price/earnings ratios and spreading disillusion among those trusting investors who bought on the promise of China's economic transition.

In the past year, China has been a tale of two stock markets. The stocks reserved for mainland Chinese investors – known as A shares – have soared. The A share index in Shanghai closed up 32 per *cent for the year and has* been rising since.

The markets for foreigners, though, slid. The index for B shares – the stocks denominated in foreign currency and, in theory anyway, ring-fenced for international buyers – closed down 16 per cent in Shanghai and down 32 per cent in Shenzhen in 1997. They have not recovered since.

In the first quarter of 1998, Asia's troubles – and a few homegrown economic problems, such as oversupply, weak demand and deflation – have started catching up with the Chinese economy and tripping up some of China's listed companies.

Last week, Shanghai China International Travel Service reported a dent in 1997 profits as the Japanese, who used to account for half the holidaymakers in China's largest city, cancelled bookings in response to economic problems at home.

Some heavy industries have been even harder hit. Jilin Chemical, for example, last week reported annual profits down 68 per cent.

The economy as a whole has lost some of the spring in its step. Growth slowed to 7.5 per cent in the first quarter of this year, leaving the country an uphill task to achieve the targeted 8 per cent increase in gross domestic product for 1998.

In Shanghai, which has shown growth of nearly 14 per cent a year for the past five years, the economy grew at a modest 8 per cent in the first three months of this year.

Asia's economic troubles have had a direct, if slow-burning, impact on the foreign currency stock markets. Liquidity, which has always been a problem on toddler bourses, has ebbed further.

The prospect of a merger with the boisterous A share markets, which promised to *invigorate the discounted*, dullard B share equivalents, has become a distant prospect as the turmoil on Asia's liberalised capital markets has prompted China to put full currency convertibility on the back burner.

Confidence, too, has sunk. In the past month, two new B share issues have been pulled: First, Hainan Sundiro, a motorcycle maker, suspended its IPO plans and then Shanghai Consolidated, a window company for some of the city's electronic joint ventures, postponed its $120m listing.

With so much stacked against the markets then, investors might be tempted to withdraw. But it is not that easy. Many investors who hold China B shares would only lock in losses if they sold now. They might also miss out on a sudden spike in prices, if a surge in Hong Kong's markets occurred and infected the *mainland bourses with a* little positive sentiment.

With Shanghai's B share market index closing at 54.48 yesterday, many analysts see a limited downside – they cite a psychological floor to the market index in the mid-40s range and note that p/es averaging 12 and 9 on Shanghai and Shenzhen B shares respectively suggest share prices have room to grow.

And, the government wants them to. The Chinese authorities have been looking into ways to reinvigorate the limp B share markets, mulling over ways to legitimise limited mainland participation. Investors hope that might be enough to spark what they would see as a long-awaited and long overdue rally.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, April 13, 1998. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7928.94	4750.00	2605.60	3588.37
Albania	(Lek)	264.158	158.250	86.8075	122.248
Algeria	(Dinar)	98.7805	59.1786	32.4611	45.7138
Andorra	(French Fr)	10.1888	6.1037	[illegible]	4.7197
Gibraltar	(Gib £)	1	0.5991	0.3286	[illegible]
Greece	(Drachma)	530.765	317.930	174.380	[illegible]
Greenland	(Danish Krone)	11.6028	6.9512	3.8131	[illegible]
Grenada	(E Carib $)	4.5070	2.7006	1.4811	[illegible]
Pakistan	(Pak. Rupee)	74.2985	44.4550	24.3858	34.3414
Panama	(Balboa)	1.6690	1	0.5485	0.7725
Papua New Guinea	(Kina)	3.2980	1.9706	1.0809	[illegible]
Paraguay	(Guarani)	4509.50	2700.00	1481.08	2085.75
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UCB to woo new investors with share split

By Neil Buckley in Brussels

UCB, the Belgian drugs group which manufactures the best-selling hay fever drug Zyrtec, is planning a 100-for-one share split to make its shares more attractive to small investors.

Scheduled for January 1 next year, the new shares are to be quoted in euros – making the move one of the first euro-denominated share issues.

Lack of liquidity has helped push UCB shares up to a closing price on the Brussels bourse last Thursday of BFr155,500. Georges Jacobs, chairman, said the split, as well as making the shares more easily tradeable, would return them to the price they were 15 years ago.

The announcement came as UCB revealed a 9.4 per cent increase in net profits from BFr5.84bn to BFr6.39bn ($170m).

At the pre-tax level, and before exceptional gains – which declined slightly in 1997 – UCB confirmed preliminary unaudited figures issued in February, which showed profits jumped from *BFr5.62bn to BFr7.50bn*. Turnover increased from BFr50.82bn to BFr60.53bn.

The improvement was partly driven by the continuing success of Zyrtec, which had sales of $257m in its first full year in the US, gaining a 17 per cent market share, and is forecast to reach at least $350m this year.

Mr Jacobs said he expected the drug to be registered in Japan, where it has been licensed to Sumitomo Pharmaceutical and Daiichi Pharmaceutical, by late summer.

Sales of Zyrtec also continued to grow in Europe, where it has gained more than 25 per cent of the market, with up to 50 per cent in certain markets such as France.

Mr Jacobs said pharmaceuticals sales had performed well in 1996, with little impact from the Asian financial crisis.

Growth was also strong in its other core sectors, chemicals and films – the latter boosted by February's acquisition of the polypropylene films activities of ICI.

UCB said it was discontinuing its practice of paying an interim dividend just before Christmas, but is proposing a net total dividend of BFr950 this year – up from BFr750 last year.

Maine to fill vacancy at IBM

International Business Machines said yesterday it had named Douglas Maine, currently chief financial officer at MCI Communications Corp, as its new chief financial officer, ending a 10-month search to fill the vacant post, Reuters reports from New York.

Mr Maine succeeds Richard Thoman at IBM. Mr Thoman left in June 1997 to join Xerox, where he is president and chief operating officer. With the new assignment, Mr Maine, 49, ends a 20-year career at MCI. He will assume his IBM post on May 1.

Until Mr Maine takes over, IBM general counsel Lawrence Ricciardi will continue as acting chief financial officer, a role he has held since Mr Thoman's departure.

Analysts said IBM's long search for a chief financial officer suggests Mr Maine is slated to enter a small group of advisers close to IBM chairman and chief executive Louis Gerstner.

"Certainly, there were many successful financial people within IBM who could have handled the numbers part of the job," said Sam Albert, a consultant, analyst and former long-time IBM employee. "I think Lou Gerstner was looking for another person to add to his inner circle."

Mr Maine's departure from MCI was no surprise. He had not yet been named for a position within the new company to be created by MCI's merger with WorldCom.

Flemings buys stake in Russian brokerage

By Emiko Terazono

Flemings, the UK bank, has acquired a majority stake in a Moscow brokerage, becoming the first western broker to expand substantially in Russia since last year's financial turmoil.

The bank has bought 60 per cent of UCB Capital, Russia's fifth largest stockbroker in terms of trading volume, which was put up for sale last year by the London-based investment bank, MC-BBL, its majority shareholder.

The purchase, believed to be valued at about $10m, will increase Fleming's presence in Russia, where it already has securities and investment banking operations.

It follows an announcement at the end of last year that it would form a domestic asset management joint venture with Guta, the Moscow-based *commercial bank*.

The move also comes as Flemings has been looking to expand its emerging markets operations outside Asia.

The bank's Jardine Fleming subsidiary has been squeezed over the past two years by declining markets. Jardine Fleming's contribution to group profits fell from a third in 1995 to 16 per cent in the first half of 1997.

UCB Capital will be renamed Fleming UCB and will be headed by Iain Saunders, who will be executive president.

The post of chairman will be filled by Marc Garber, currently chairman of UCB. George Mavroudis, UCB chief operating officer, will become chief executive.

UCB is one of the largest brokers researching and trading local equities. Fleming UCB will have an equity research team of about 13 analysts covering Russian and Ukrainian stock markets and a trading operation in London and Moscow.

UCB has specialised in oil and gas, mining and metals, forest products and automotive sectors. It has also advised Russian companies on fund-raising in the domestic and international markets, including an equity offering for AO Tatneft, the oil company, and an IPO by Sadko, the Moscow retailer.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Imperial Tobacco (UK)	Douwe Egberts (N'lands)	Tobacco	$1.06bn	Sara Lee sale
Blackstone (US)	Savoy Group (UK)	Hotels	$858m	Wontners out
Schroder Ventures (UK)	Leica Micro (Germany)	H/care equip	$500m	Specialist buy
Carnival Corp (US)	Cunard (UK)	Shipping	$500m	Kvaerner disposal
Argentaria (Spain)	Siembra (Argentina)	Financial srvcs	$462m	Pension move
Investcorp (Bahrain)	Watmoughs (UK)	Printing	$413m	Unconditional
Investec (SA)	Guinness Mahon (UK)	Banking	$157m	Yokohama selling
Greencore (Ireland)	Pauls Malt (UK)	Food	$101m	Elementis sell-off
Colas (France)	Unit of Hanson (UK)	Construction	$75-$95m	Disposals continue
DKH (Malaysia)	BFC (Switz)	Banking	$41m	Odyssey complete

Ashanti pursued over Australian closure

By Andrew Edgecliffe-Johnson

Ashanti Goldfields of Ghana is embroiled in a bitter dispute over the closure of a small copper mine in Australia, which it acquired as part of its purchase of Golden Shamrock Mines in July 1996.

Greg Hall of Price Waterhouse in Sydney, who was appointed administrator and subsequently liquidator of the mine in Cobar, New South Wales, said he would "pursue Ashanti under its promise of financial support to Cobar Mines". He added that the Australian Securities Commission was investigating Ashanti in relation to potential breaches of Australian company law.

Mark Keatley, Ashanti's chief financial officer, said at the weekend: "We are quite sure the inquiry will show no impropriety. The ASC is investigating whether the mine operated in an insolvent state. The answer is no."

Sam Jonah, Ashanti's chief executive, added that Ashanti had appointed HSBC to sell the mine to one of two potential buyers. However, after a 35 per cent fall in the copper price last year, the talks collapsed. "They led us on for a couple of weeks, but our advisers told us there was no way the companies could come up with the finance."

Mr Keatley said: "We then approached Glencore, Cobar's main creditor, to try and sort out something to prevent the mine closing." When that approach failed, "we were left with no option but to appoint administrators," he said.

Mr Hall, who was appointed on January 21, claimed that Ashanti's withdrawal of financial support was "contrary to previous commitments to mine management" – a claim which Ashanti denies.

Although the high cost copper mine employed just 260 people, Mr Hall said: "The effect on Cobar, a town of only 6,000 people, has been devastating. Estimates of the local knock-on effect are in the order of 600 jobs."

Mr Keatley said: "Price Waterhouse decided to close the mine, not us. We made every effort. We put in A$8m (£3.2m) to keep the mine going."

Although other Australian copper mines have been closed because of the fall in the copper price, Cobar has attracted more publicity partly because of its foreign ownership. Mr Jonah said he had been bombarded with "four letter e-mails" since the closure of the mine. He added that Ashanti was determined to defend its actions.

Turning pebbles into profits the Powerscreen way

Robert Wright examines the engineer's explanation for £46.7m unexpected losses ahead of the auditors report

The end of the last ice age created a huge opportunity for Powerscreen International, the Northern Irish engineering company. What would later be Northern Ireland was covered in melting glaciers full of pebbles. When the glaciers turned to water they created vast reserves of small stones – and a great potential profit for whoever worked out the most efficient way of sorting the stones.

In 1966 the founders of Powerscreen hit on the idea of putting wheels on stone screening equipment for quarries. The hitherto immobile screens could be moved as the quarry was dug deeper into the rock, reducing the distance the stone had to be moved for sorting.

Powerscreen claims its technology was so revolutionary that Powerscreen could make profits of a quite different order from other engineering companies, unlocking the key to operating profit margins of about 20 per cent.

How real those profits really were will be a key feature in a report expected this week from KPMG, Powerscreen's auditors, on £46.7m of unexpected losses run up by the company. Powerscreen says the losses came mostly in the first nine months of the year to March 1998 in Matbro, a specialist tractor subsidiary which has turnover of about £80m a year. Powerscreen says it expects the KPMG report to back up its version of events, but it has also admitted the report may have to look wider within the company.

The losses were run up, according to Powerscreen, through the mispricing of machines, unauthorised discounting and unauthorised cashing – known as discounting – of bills of exchange. The company says the problems were confined to Matbro.

I regret to say this, but, with a company like Powerscreen, which dominates its market and for which there are no listed competitors, you're very much beholden to the company for information

But there is compelling evidence that the problems go wider. There is, for instance, the case of an obscure Powerscreen subsidiary in Kilbeggan, in the Irish republic, an area where businesses pay corporation tax of only 10 per cent, well below the then UK rate of 33 per cent. Called Powerscreen Ltd, the subsidiary made pre-tax profits of I£10.3m (£8.5m) in 1995, 35 per cent of Powerscreen's total for the year, on turnover that represented just 9 per cent of the group total. The previous year it produced 42.3 per cent of pre-tax profits on just more than 12 per cent of the group's turnover. The Kilbeggan factory's 1994 operating profit margin was 86 per cent.

Kilbeggan's implausible operating margins suggest Powerscreen indulged in so-called "transfer pricing" to shift tax liabilities to a lower-tax area. Powerscreen had to pay £2.5m in settlement of a tax dispute over transfer pricing in 1989. It has also had a tax note in its annual reports in 1995, 1996 and 1997 saying it was in dispute with the Inland Revenue over the tax paid by some of its subsidiaries. The low tax bill from Kilbeggan must have helped Powerscreen to achieve its surprisingly low tax rate of 24 per cent. The low tax rate boosted earnings per share, a measure calculated after tax, and gave Powerscreen more room to pay dividends.

Also, a rival of Powerscreen, which competed only with parts of the company outside Matbro, is considering suing over anti-competitive pricing. There are also signs of trouble at Powerscreen's Brown Lenox subsidiary, which has introduced part-time working since the announcement of the Matbro losses.

Former staff members believe other subsidiaries of Powerscreen indulged in the same low-pricing techniques which caused Matbro's problems. Nevertheless, many engineering analysts are still keen to defend Powerscreen, explaining that the company's distribution network has been the key to its profitability.

Many analysts, in fact, seem reluctant to believe that Powerscreen's profits were not of the extraordinary order claimed. The company's shares trebled between early 1995 and late 1997, peaking at 763½p, making analysts who backed the company healthy bonuses.

However, one of the few engineering analysts who was never convinced by Powerscreen says others were too ready to believe the company's explanations of its performance.

"I regret to say this, but, with a company like Powerscreen, which dominates its market and for which there are no listed competitors, you're very much beholden to the company for information," he says. "It's when analysts stop being analysts and become reporters [of the company's views] that you have a problem."

There have long been signs that Powerscreen's affairs were not straightforward. There was the tax note to the accounts; there were also mysterious movements in its stocks and debtor levels, some of which may be explained by accounting malpractice such as those uncovered at Matbro. The low tax rate should also have suggested either tax was not being paid as might be expected – or that the profit figures shown to the tax authorities were less than those seen by investors.

Powerscreen's voracious appetite for acquisitions may also have flattered the company's profit line. High proportions of the assets of acquired companies were written off, creating reserves which could later be used to boost profits.

Perhaps most importantly of all, the company's cash flow regularly fell well short of its operating profits – in 1997, cash flow was only £26.9m, against operating profits of £43.3m. There are technical reasons why a growing company might not produce cash to match operating profits. But one analyst said of Powerscreen's cash flow: "This suggests these profits aren't real."

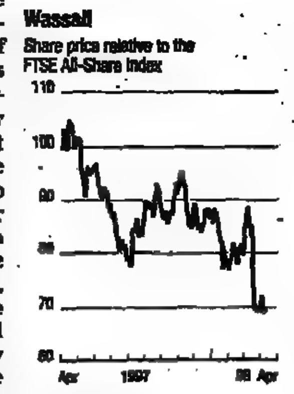
In fact, it is possible at the moment only to guess at the depth of Powerscreen's problems. The company raised £15.9m before expenses in December to pay for the £7m purchase of SDC trailers, a Northern Irish company. Even allowing for working capital and other commitments, the sum raised suggests Powerscreen was desperate for cash then – and a number of factories have since slowed production.

If things for Powerscreen grow worse before they get better, the City may be more careful about reading the small print of annual reports next time a company claims to have found the key to magic levels of profitability.

COMMENT

Wassall

The barbarians are at the garden gate. Wassall managers may like to think of themselves as the UK's answer to KKR, the US leveraged buy-out firm, but they have a long way to go. And it will be even longer before shareholders can hope to enjoy the benefit of their company's transformation from industrial conglomerate to quoted LBO fund. So far, all they have enjoyed is the 15 per cent drop in Wassall shares since the company unveiled its plans. The scheme, to be voted on this week, has some merit. Principally it should allow Wassall to compete for deals with a lower cost of capital and to improve returns through higher gearing.



But financial pyrotechnics have a habit of burning fingers. The private equity market is hotting up. The price of deals is rising, banks are having trouble digesting a record amount of acquisition debt. Before Wassall's executives rev up their new vehicle, they should have to justify to shareholders why a straight break-up of the group would not be more advantageous. Unfortunately the vote will not be between these two options, despite the radical change in the nature of the company. Furthermore Wassall's management should have allowed shareholders a separate vote on a much more generous incentive scheme from which they stand to gain.

Institutional cash

Here is an oddity. The UK stock market is soaring, and pension funds and life insurance companies are awash with cash – some £67bn of it. Just the time, you might have thought, for companies to float and launch rights issues. In fact, companies are showing remarkable abstinence. CSFB expects that rights issues, new issues and placings combined will total £10bn this year, compared with £21bn two years ago.

Even odder, not only are opportunities to invest declining, but companies are shrinking their equity base and handing yet more cash back to shareholders. Share buy-backs are expected to total £15bn this year, compared with £1.4bn three years ago. On top of that, a number of large UK bids – Gus's £1.9bn tilt at Argos is the latest – have been in cash. If you consider, lastly, that net issuance of gilts is likely to fall away this year, possibly to nothing, compared with £51.7bn in 1993, then the problem becomes acute: what on earth do investors do with all their money?

Some of these trends, such as buy-backs, still have a way to run. But there may be some relief at hand on the flotation front. One deterrent for private companies has been the lowly valuations of the small-cap sector. The sector is starting to regain favour, but institutional investors could still lose out as venture capitalists pick off little businesses before they make it to market.

GUS wins Metromail with 91% acceptance

By Virginia Marsh

Great Universal Stores, the UK mail order house which is in the midst of a £1.9bn hostile bid for Argos of the UK, has won control of Metromail, the Illinois database marketing company, after a bid battle with American Business Information of Omaha.

GUS, whose offer was recommended by Metromail's board late last month, said yesterday it had received acceptances from shareholders holding 53.7 per cent of the company.

Together with shares it has agreed to buy from RR Donnelley & Sons, it would have about 91 per cent of Metromail. It has bid $34.50 a share for the company – up from its original offer of $31.50 a share – valuing Metromail at $910m (£545m) including debt.

This month ABI's right to appeal against a court decision rejecting its request for an injunction to block the GUS deal was turned down. It had earlier failed to meet a deadline to supply all documentation and finalised financing commitments for its $37.48 a share bid.

The move comes as GUS's bid for Argos, the high street catalogue retailer, enters its final phase. GUS last week lifted its cash offer by £300m to £1.9bn, or from 570p to 650p a share.

Argos yesterday denied reports it had plans to merge with Littlewoods, GUS's privately-owned rival, if investors backed it against GUS. As part of its defence, Argos has promised a £431m share buy-back worth 150p a share and negotiated a joint venture with Littlewoods to develop a fashion catalogue to be launched this summer as a trial through 20 Argos stores.

Most analysts say GUS's revised offer will probably succeed but it is thought that some large investors have yet to make up their minds.

Perkins acquires Le Magicien Vert

By Virginia Marsh

Perkins Foods has acquired Le Magicien Vert, a French manufacturer of chilled convenience goods, for an initial payment of FFr45.9m ($7.5m) cash.

It will pay up to a further FFr20.4m depending on the company's performance this year and next.

The move is in line with Perkins' decision to focus on chilled and frozen foods, following the sale of its fresh produce business for £123.6m to Greenery International, the sales and marketing arm of the Dutch growers' co-operatives.

LMV, which makes chilled ready meals and was set up in 1991, made pre-tax profits of FFr7.8m on sales of FFr75m last year.

The vendors of the company, which sells in France and also exports to Belgium and Luxembourg, will continue to run the business. Perkins intends to expand LMV's exports to include the UK and the Netherlands in particular.

Ian Blackburn, deputy chief executive, said the chilled food sector in continental Europe was expected to expand.

Call for shares deal at Thomson

By Virginia Marsh

Unions representing employees of Thomson Travel, the package holiday business about to be floated, are lobbying for the creation of one of the UK's largest employee share ownership schemes.

Balpa (British Air Line Pilots Association) – the union representing pilots at Britannia, Thomson's airline – said yesterday it had suggested the company give free shares to employees based on their contribution to date. It has also asked for the introduction of performance and investment schemes, including share option and save-as-you-earn arrangements.

The aim was for employees to own about 10 per cent of the company, which is to be floated next month by Thomson Corporation, the Canadian publishing group. Analysts expect the flotation to value the company at about £1.5bn.

Thomson Travel said it welcomed the comments and was committed to ensuring employee participation in the flotation was as great as possible. It planned to unveil its own proposals next week.

Premier Farnell to report as top job remains unfilled

By Susanna Voyle

Premier Farnell, the distributor of electronic components, will announce its annual results this week without a chief executive.

The search for a replacement for Howard Poulson, who resigned at the end of January, is still about two months away from completion. Mr Poulson resigned after a disappointing year in which shares in Premier Farnell, which has a market capitalisation of £1.05bn, underperformed the market by 60 per cent.

The company said that after a global search it now had a shortlist of candidates. The list is understood to include candidates from the US and the UK.

Premier Farnell issued a profits warning on the day Mr Poulson resigned in January, saying pre-tax profits for the year to February 1998 would not be less than the £137m made in the previous 12 months. However, in February it said it was on track to 'at least' match that figure.

Mr Poulson was widely seen as the architect of Farnell Electronics' controversial £1.85bn acquisition of Premier Industrial two years ago. The deal was opposed by some institutional investors who feared the company was paying too much.

Thursday's results presentation will be fronted by Morton Mandel – the deputy chairman and former head of Premier who has been running the company since Mr Poulson left – and Andrew Fisher, the finance director.

Premier Farnell shares were last week trading at 361p. In January they shed more than 12 per cent in one day – falling to 296½p in the wake of the downbeat trading statement.

GOVERNMENT BONDS FLEDGLING CAPITAL MARKETS UNIT FACES PRESSURE FROM SHAREHOLDERS

Barclays' infant off to a good start

By Simon Davies, Capital Markets Editor

It is six months since the unexpected birth of Barclays Capital following the decision by Barclays Bank to exit equities, and the fledgling capital markets business has had a healthy infancy.

Reports of its impending demise, or its sale to an American buyer, have proven somewhat premature. It has lost few senior staff, it has picked up a few big names from its larger US competitors, and has edged up the league tables.

But it still has a long way to go before it is even close to achieving the ambitions of its driven chief executive, Bob Diamond, let alone those of Barclays' shareholders.

Mr Diamond argues that capital markets are on the cusp of a new era with the coming of European economic and monetary union creating a broad and liquid single currency bond market in Europe to match that of the US.

"I think there will be the development of a European bulge bracket of international firms, and that is where Barclays Capital expects to be," he said.

Traditionally, the so-called bulge bracket has been the half-a-dozen top-tier investment banks in the US, dominated by Goldman Sachs, Merrill Lynch and Morgan Stanley.

And the European pretenders have been more commonly seen to be ABN Amro, Deutsche Bank, Paribas and Swiss Bank. The British banks have been held back by management fears over investment banking cost structures, and shareholders' fear greater expenditure on achieving decent returns on capital.

But Barclays has a long way to go before it gets there. In the first quarter of this year, it increased the volume of international bonds that it lead managed by 135 per cent in dollar terms, and pushed four places higher in the league table, according to Capital Data Bondware. But it is still in 11th place.

However, European economic and monetary union offers an almost unprecedented opportunity for a shake-up in the capital markets pecking order, playing into the hands of banks with global distribution and credit skills.

Moreover, since this will encourage the trend of disintermediation away from commercial banks, as traditional clients tap the bond markets instead, it is a risk that Barclays looks well advised in taking.

Mr Diamond said: "One of the frustrations of operating in the European market has been that in the US, there are 10 to 15 competitors for any deal, whereas in Europe there are 100."

The removal of currency barriers between 11 European countries has already encouraged substantial consolidation among commercial and investment banks, and there is a lot more to come.

Mr Diamond reckons that Barclays can build on its dominant position in sterling bonds and the credit skills of the commercial bank to develop a strong position in the fast-growing European corporate bond market.

The development of private pensions, and the reduction in government bond issuance, will drive demand for corporate bonds, while the breaking up of traditional bank relationships will drive issuance.

But there will be plenty of competition. Barclays has a strong position in sterling and in floating rate notes, and has battled its way up the rankings in D-Mark issues.

It also became the first European bank to lead-manage a global yen deal by the US mortgage giant Fannie Mae – although competitors said it bought its way in by offering particularly competitive rates for swapping the proceeds back into dollars.

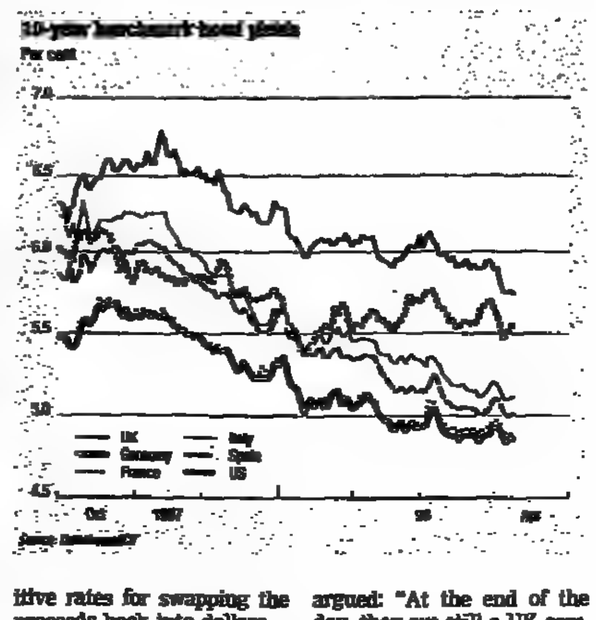
Mr Diamond argues that there is no reason why Barclays can't compete with the best of them. "We have the financial resources of the bulge bracket firms, but with far more focus."

Recent investments in the group's technology platform should improve its cost base in the long run. "My view is that we should be looking for a return on economic capital of around 20 per cent over the cycle."

Naturally, scepticism will remain for some time. One senior investment banker argued: "At the end of the day, they are still a UK commercial bank, and they will have real cultural problems."

And despite the fact that Barclays Capital represents all of the old BZW's profits, with only half of its staff, the ambition of a 20 per cent return remains long-term even in these current buoyant market conditions.

This will ensure that shareholder pressure remains, but Mr Diamond is sufficiently persuasive that he ought to buy sufficient time at least to put his vision to the test.



MARKETS WEEK

April 14 - April 20

NEW YORK

By John Labate

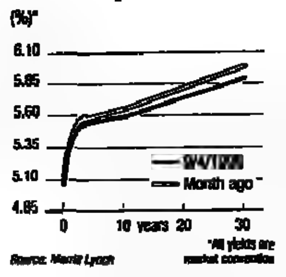
In spite of the latest in a series of bullish economic reports, Treasury prices continued to drift lower when the market reopened yesterday, after a long weekend holiday.

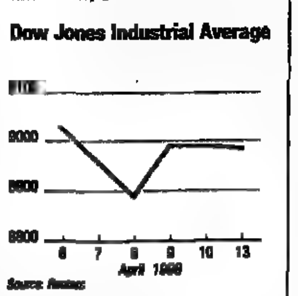
When the Treasury market closed last Thursday, bond prices had gained ground slightly, but it was little more than technical buying after a series of downward trading days.

The producer price index for March, released on Thursday, reported a fall of 0.3 per cent while the core PPI, excluding the food and energy sectors, was unchanged. The latest news on inflation continued to bolster the view that interest rates will not rise in the near-term. But Treasury investors largely shrugged off the PPI report.

Although Treasury prices moved lower throughout most of last week, the long bond yield remains below the 6 per cent level. That may change as a list of economic reports comes to market this week.

Today the consumer price index and a new retail sales report will be released. Later in the week investors will get to sift through new statistics on business inventories, housing starts, industrial production, and the trade balance.





LONDON

By Philip Coggan

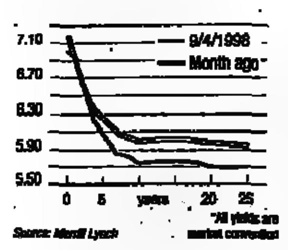
The main highlight of the shortened post-Easter week will be Wednesday's publication of the March monetary policy committee meeting minutes.

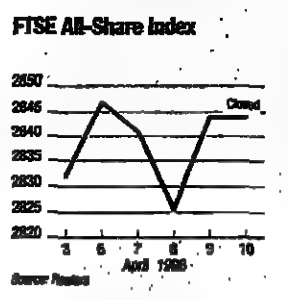
In February, the vote on whether to raise rates was tied four-four; and there was no change at either the March or April meetings.

The markets will be watching to see whether the committee is still evenly split or whether the balance has swung in favour of the doves. If it has, that might prompt further weakness in sterling which retreated from the DM3.10 level last week.

Producer prices figures, out today, should indicate that businesses are facing no cost pressure on the raw materials side. Input prices are forecast by NatWest Markets to have dropped 0.7 per cent in March and 9 per cent year-on-year; output (factory gate) prices should show only a 1 per cent year-on-year gain.

The other two economic reports of the week will be the British Retail Consortium survey, due on Wednesday, and Thursday's British Chambers of Commerce survey. On the results front, the main interest will be in figures from Associated British Foods and Premier Farnell.





FRANKFURT

By Andrew Fisher

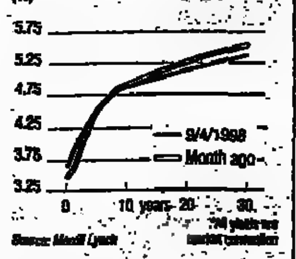
As Germany's Dax blue chip index closed above 5,300 on Thursday, some brave dealers were looking ahead to the prospect of the 6,000 mark being breached. However, the consensus was that the unexpectedly sharp rise so far this year would be followed by a period of less frenetic activity.

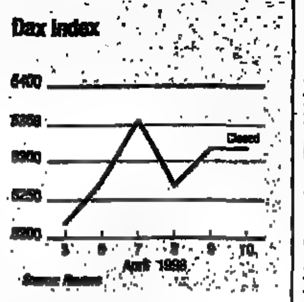
At present levels, the German stock market is one of the most expensive in Europe, said Richard Davidson of Morgan Stanley Dean Witter.

Trading was light ahead of the Easter weekend, but the mood had been buoyed by renewed speculation in the banking sector and Daimler-Benz's decision to reveal revenue targets.

Germany's big Frankfurt-based banks – Deutsche Bank, Dresdner Bank and Commerzbank – showed gains as talk of further consolidation in the European banking sector followed news of the mega-merger between Citibank and Travelers Group in the US.

Low interest rates and the strong dollar are expected to keep the market firm, with big investors seen likely to anticipate the impact of European monetary union by moving more energetically into markets of the future euro zone.





TOKYO

By Bethan Hutton

Japanese markets are likely to spend the early part of this week digesting last Thursday's Y16,000bn economic package, trying to work out how much new money there is in it, and what the prospects are for the Y4,000bn tax cuts to be made permanent.

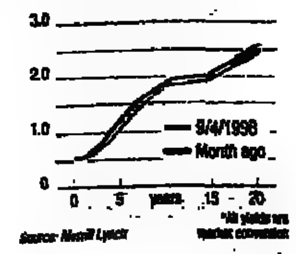
Any further details of the package and its implementation will be seized upon for clues.

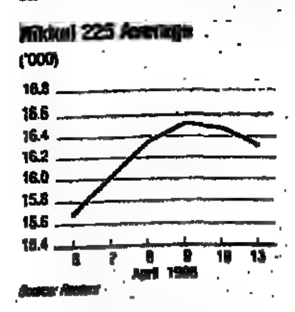
The initial market reaction was to give the package a thumbs-down for its impact on the economy: the stock market fell, and bonds rose. But the reactions were relatively muted.

If further analysis produces a more negative result, market watchers say the Nikkei 225 could slip back through the 16,000 level it achieved last week, and even set new lows, while bond yields could head back towards record lows.

The Economic Planning Agency last week released an economic report which set a new benchmark for official gloom over the state of the economy.

The EPA head later insisted that the economy should start showing an improvement this month, but his deputy came close to admitting that Japan might be in recession.





COMPANIES DIARY

AMR expected to buck weak airline trend

AMR, parent of American Airlines, is expected tomorrow to report first-quarter earnings per share of $2.46, compared with $2 a year earlier, bucking the weaker trend elsewhere in the sector, analysts said.

United Airlines, US Airways, NorthWest Airlines and Delta Air Lines are all expected to report first-quarter earnings well below year-earlier levels, despite favourable fuel price and airfare conditions.

The expected year-on-year decline in profits will largely reflect the carriers' fuel-purchasing policies, which appear not to have allowed them to take maximum advantage of the substantial first-quarter crude oil price drop.

AMR, on the other hand, is expected to benefit from an easier comparison, chiefly because of weak ticket sales during the first quarter in 1997 when the company's pilots threatened to strike.

NorthWest Airlines, which also reports on April 21, is expected to post first-quarter earnings of 49 cents, down from 52 a year earlier. US Airways, which reports on April 22, is expected to report earnings of 98 cents, compared with $1.45 a year earlier. On the same day UAL, parent of United Airlines, should report earnings of $1.57, down from $1.61 a year earlier. March data from several carriers indicated that ticket sales in that month fell from the first two months of the year. US carriers also faced a difficult comparison because during most of the 1997 period there were no US excise airline taxes, unlike the most recent first quarter. *AFX-News, New York*

● Assurances Générales de France, the insurer, is expected tomorrow to report net profits of FFr1.82bn-FFr2.05bn, compared with FFr1.54bn ($250m) in 1996, according to analysts.

The performance of the French insurer's non-life unit will be a key feature of the results, particularly as its claims experience during the second half of the year is forecast to be in line with a positive first-half figure.

The results announcement is likely to be overshadowed by interest in how the Allianz takeover will affect pro forma earnings through to 2000. One analyst expects ownership by Allianz to help AGF become more tightly focused within the French market, eventually increasing French premium income to some 66 per cent of the group total. *AFX-News, Paris*

● Ciba Specialty Chemicals, the Swiss chemical and pharmaceutical group, is expected on Thursday to report first-quarter sales of about SFr2bn, up from SFr1.9bn ($1.28bn) a year earlier. Ciba may talk about the impacts from Asia's economic difficulties. Ciba's purchase of Allied Colloids of the UK will not affect first-quarter sales as it will only be consolidated from the second quarter onwards. *AFX-News, Zurich*

● Coca-Cola, the US soft drinks group, is expected to report this week first-quarter earnings per share of 34 cents, down 15.3 per cent from 40 cents a year earlier. Despite stronger than expected sales for the fourth quarter of 1997, Coca-Cola will suffer from the adverse effects of a strong dollar.

However, other factors pose risks for the company's 1998 sales volumes. Sales in Asia, particularly Japan, may come under more severe pressure than previously because of weak economic conditions. *AFX-News, New York*

● General Motors, the world's biggest carmaker, is expected to report first-quarter diluted earnings per share tomorrow of $2.28, up from $2 a year ago, and on Thursday Ford Motor is expected to report diluted earnings of $1.38, up from $1.30. Analysts said the year-on-year rise was expected to be largely due to the use of higher sales rebates to customers in an attempt to stimulate demand, as well as new products, share buy-backs and cost cuts. Domestic demand has been flat but "healthy" amid intensifying competition from European and Asian manufacturers.

GM has said it expects its US market share to have been about 32 per cent in March, up from 28.3 per cent in February, an estimate which includes larger trucks. Ford's March sales fell 3.3 per cent overall to 338,341 and for the quarter fell 4.7 per cent to 882,538. Chrysler's first-quarter sales rose 1 per cent to 578,300, although March sales fell 2 per cent. *AFX-News, New York*

● Intel, the world's largest chipmaker, is expected to report first-quarter earnings per share of 73 cents today, compared with $1 a year ago, in line with an earlier warning of a demand slowdown for chips and the impact of sharp price cuts and cheaper personal computers.

Analysts said that after Motorola forecast a 1-2 per cent rise in first-quarter semiconductor industry revenue, and after its cut in chip capital spending, there are concerns over whether Intel will curb spending with an eye to PC demand and conditions in China, the US and Japan. Other manufacturers have reported flat US shipments, lower shipments to Asia and lower sales in Europe.

Intel warned in early March that it expected revenues to fall about 10 per cent from the fourth quarter's $6.5bn, with margins declining and expenses rising. *AFX-News, New York*

● Eastman Kodak, the photographic products company, is expected today to report first-quarter earnings per share of 70 cents, down sharply from 82 cents a year earlier, but consistent with Kodak's warning that its first-quarter profits would be eroded by restructuring costs.

Late last year Kodak said profits would be strained through the first quarter by expenses incurred in its lay-offs of about 16,600 workers and reduction of its research and development activities, and by various asset write-downs.

Competition in the US film market from Fuji Photo Film should lessen during the second quarter. Last year Fuji flooded the US with a large supply of discounted film which it no longer produces. Much of this supply has been used up and will not be replenished. *AFX-News, New York*

● Suez Lyonnaise des Eaux, the French utilities group, is expected to report 1997 net profit of FFr3.73bn ($610m) today, according to analysts. The group resulted from a merger in June 1997 of Lyonnaise des Eaux and Cie de Suez, which in 1996 reported net profit figures of FFr1.35bn and FFr843m respectively.

The mid-year merger means the company was probably busier managing the link-up than raking in profits, making 1997 an exceptional year, and analysts hope next week's presentation will be more about strategy and future earnings than last year's figures.

Suez Lyonnaise des Eaux has already said it expects net profit on ordinary operations to come in above FFr3.5bn, despite an expected drag on earnings from its Asian activities, which accounted for 2 per cent of total turnover in 1997.

Group sales were FFr189.5bn, compared with a pro forma FFr173.3bn, the company said.

Analysts are expecting the group's main utilities, financial services and construction-related divisions to report strong performances after already showing strong increases for the first half. *AFX-News, Paris*

● In London investor focus moves away from company figures this week as a series of trading updates follows the results season. Away from the results and AGMs, the bid battle for Argos will near its endgame after GUS increased its offer on Wednesday to 650p, from the original 570p. The AGM at Lloyds TSB on Wednesday may produce some comments on the latest financial mega-merger in the US between Travelers and Citicorp. On Thursday, Arriva may shed some light on latest developments in the transport industry and Capita Group on the consultancy sector.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Freddie Mac★	6bn	Apr 2008	5.75#	99.258R	5.849	+35(5½Feb08)	Goldman/Merrill/SSB
Federal Home Loan Banks	1bn	Apr 2000	5.50#	99.836R	5.887	+16(5¾Mar00)	Paribas
Christiania Bank‡	200	Apr 2001	(a)	100.027	-	-	CSFB
World Bank	100	Apr 2001	5.12#	100.00	-	-	Daiwa Europe
BNG★	70	Jan 2002	3.10#	92.80	-	-	Nikko Europe
Dresdner Bk Lateinamerika‡	50	Apr 2008	(f)	99.90	-	-	Dresdner KB
Swiss Life/Royal Dutch(n3)§	500	May 2005	2.00#	100.00	-	-	SBCWDR/UBS
Swiss Life/Glaxo(n4)§	300	May 2003	2.00#	100.00	-	-	SBCWDR/UBS
Swiss Life/Mannesmann (n5)§	250	May 2003	1.50#	100.00	-	-	SBCWDR/UBS
Cie Financière de CIC(t)‡	500	Apr 2003	(v1)	99.98R	-	-	Chase/SBC Warburg DR
Chrysler Finance Corp‡	400	Apr 2005	(w)	99.936	-	-	Merrill Lynch Intl
Banco Hipotecario	300	Apr 2003	10.00#	99.857R	10.04	+455(5¼%-03)	SBC Warburg DR
Den norske Bank(q)‡	250	Mar 2005	(q1)	99.78R	-	-	Morgan Stanley DW
World Bank‡	100	May 2008	(l)	99.47R	-	-	BCI/Credito Italiano
Beta Finance Corp‡	100	Apr 1999	(w)	100.00	-	-	CSFB
Union Bank of Norway(r)‡	50	Apr 2008	(y1)	99.83	-	-	Paribas
Republic of South Korea	3bn	Apr 2008	8.875#	98.847R	9.094	+355(Feb08)	Goldman/Salomon SB
Republic of South Korea	1bn	Apr 2003	8.75#	99.198R	8.953	+345(Mar03)	Goldman/Salomon SB
Windermere Corp 1 Select‡	104	Apr 1999	(y)	100.00	-	-	Chase Manhattan Intl
Safra Republic Holdings(A)	125	undated	7.20	100.00	-	-	Merrill Lynch Intl
D-MARKS							
Allgemeine Hypo(h)‡	1bn	Apr 2003	(k1)	100.00R	-	-	Morgan Stanley DW
DSL Finance	1bn	Apr 2010	5.125	99.998R	5.130	+21(l)	ABN Amro
Lavender W	1bn	Apr 2013	5.25	100.00R	5.25	+21(l)	Rabobank Intl
GECC(j)	150	Apr 2002	4.375	99.58R	4.489	+8(4½Feb02)	SBC Warburg DR
Safra Republic Holdings(A)	150	Undated	6.85	100.00	-	-	Merrill Lynch Intl
STERLING							
GECC	150	Apr 2003	[illegible]	99.327R	5.411	[illegible]	JP Morgan Securities
FRENCH FRANCS							
ING Bank(g)	[illegible]	Apr 2008	(g1)	100.375	-	-	JP Morgan
CCCF(f)‡	1.5bn	Oct 2006	(f1)	99.20R	-	-	CCF/CDC Marchés
CCDC‡	[illegible]	Apr 2008	(e)	99.946	-	-	Crédit Lyonnais
YEN							
Marco Underwriting‡★	[illegible]	Apr 2004	(s)	100.00	-	-	Sanwa International
ITALIAN LIRE							
BNDES	[illegible]	Apr 2010	(u)	99.75R	-	-	Cabot/Caripio/D'Ische
Centrobanca‡	300bn	May 2003	(x)	99.85R	-	-	Credito Italiano
SWISS FRANCS							
Swiss Life/Novartis(n1)§	580	May 2005	0.75	100.00	-	-	SBCWDR/UBS
Swiss Life/UBS(n2)§	600	May 2005	1.00	100.00	-	-	SBCWDR/UBS
GUILDERS							
Cades(d)	1.5bn	Oct 2012	5¼(l)	99.947R	5.243	+20(l)	ABN Amro
ECU/EUROS(e)							
Republic of Argentina	750	Apr 2008	8.125	98.848	8.300	+325(5¼%-08)	ABN/Merrill/Paribas
Rabobank(l)	[illegible]	Apr 2012	(f1)	99.78R	-	-	di Roma/Citibank/MPS
Lehman Brothers Hldgs(c)‡	[illegible]	Apr 2000	(c1)	100.00R	-	-	Lehman Brothers
Swiss Life/Unilever(n6)§	300	May 2003	2.00#	100.00	-	-	SBCWDR/UBS
CCCF(b)‡	100	Oct 2006	(b1)	99.10R	-	-	CCF/CDC Marchés
NEW ZEALAND DOLLARS							
Bayerische Hypo	100	May 2000	8.50	101.10	-	-	Hambros/RBC Dominion
LUXEMBOURG FRANCS							
BGL	2bn	Jun 2008	5.375	102.05	-	-	BGL
AUSTRIAN SCHILLINGS							
Bco BBA Creditanst Nassau	1.25bn	Apr 1999	8.00	100.00R	-	-	B Austria/Creditanstalt

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ¢With equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) 3-mth Libor +3¼bp. b) Callable from 23/04/99 at par. b1) 3-mth Libor flat to Apr 99, then +20bp. c) Linked to four European investment grade sovereigns. c1) 6-mth Libor +12½bp. d) Fungible with DM1.5bn and FFr6bn upon Emu. e) Payments in Ecu prior to Emu. Spread relates to French govt Ecu bonds. f) 6-mth Libor +25bp. g) Callable in Apr 02 and 05 at par. g1) 5% to 02, then 5.3% to 05, then 5.7%. h) 3-mth Libor +10bp. l) Over interpolated yield. j) Callable in Apr 02 and 06. j1) 7.35% to Apr 02, then 15% - 2 x 12-mth Libor. k) Callable in Apr 01 at par. k1) 3-mth Libor +5bp. l) Long 1st coupon. m) 3-mth Libor +15bp. n1) Exchangeable into Novartis registered at SFr3,420. Callable after 1 yr subject to 150% hurdle at par. n2) Exch into Union Bank of Switz bearer at SFr3,460. Callable after 1 yr subject to 150% hurdle at par. n3) Exch into Royal Dutch Petroleum commons at Fl 152.10. FX: 2.0707Fl/$. Redemption price: 113.86%. Callable from May 02 at accreted value. n4) Exch into Glaxo Wellcome ords at 2,235p. FX: 1.68835/£. Redemption price: 106.73%. Callable from May 01 at accreted value. n5) Exch into Mannesmann ords at DM1,975. FX: 1.8385DM/$. Redemption price: 110.83%. Callable from May 01 at accreted value. n6) Exch into Unilever NV certs at Fl 200. FX: 2.2357E/Fl. Callable after May 01 at par. o) 11% to Apr 00, then 8%. p) Deßendtiche Pfandbriet. q) Fungible with $250. Plus 20 days accrued. q1) 3-mth Libor +6¼bp. s) Short 1st coupon. t) E150m and FFr1.5bn fungible upon Emu. (t) CMS 10-yr swap index -70bp. u) 11% to May 99, then 6% to May 00, then 16% - 2 x 12-mth Libor. v) Callable from Apr 03 at par. v1) 3-mth Libor +35bp to Apr 03, then +110bp. w) 1-mth Libor +12½bp. x) 3-mth Libor +45bp when Libor between 3½-6¼%, else 2% fixed for coupon period. y) 3-mth Libor +10bp. z) DM350m launched 25/03/98 increased to DM500m. A) Cumulative preferred. Callable from 2003 at par. Quarterly coupons. B) 4.35% to 2001, then Tec-10 -20bp. Note: Yields are calculated on ISMA basis.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1998 High	1998 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	-	100	97½	Aberdeen Cantble C	99		-	-	-	-
*100	F.P.	35.7	102	100	Advent 2 VCT	102		-	-	-	-
-	F.P.	-	12	4	Eurotel 01/03 Wts	4½		-	-	-	-
-	F.P.	592.8	186½	178½	Express Dairies	178½	-1½	LW8.0	1.5	5.6	14.7
§255	F.P.	246.3	486½	409	[illegible]	465	+23½	-	-	-	-
-	F.P.	4.30	3½	2½	†Hartford	3		-	-	-	-
§50	P.P.	3.25	52½	52½	Microcap Growth Tst	52½		-	-	-	-
100	F.P.	39.0	[illegible]	97½	Murray VCT 3	97½		-	-	-	-
§25	F.P.	6.38	117½	77	†Peel Hotels	107½	+2½	-	-	-	-
*	F.P	18.0	92½	90	Quester VCT 2	90		12.4	-	3.3	-
-	F.P.	7.62	110	65½	†Salvatore	75½	+10	-	-	-	-
-	F.P.	-	34½	34½	Transport Dev B	34½		-	-	-	-
§50	F.P.	11.1	57½	50	W	55½		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1998 High	1998 Low	Stock	Closing price p	+or-
280	Nil	17/4	25pm	4½pm	Cap & Reg Props	5pm	
10	Nil	17/4	7½pm	3½pm	Oxford Biomedica	4½pm	

pm premium.

FTSE GOLD MINES INDEX

	Apr 9	% chg on day	Apr 8	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (32)	1240.25	-1.8	1263.10	1595.84	1.98	-	[illegible]	891.23
■ Regional Indices								
Africa (14)	1263.42	-0.3	1267.22	1916.39	4.30	27.85	1920.22	921.78
Australasia (7)	1497.36	0.0	1497.81	1888.33	[illegible]	20.32	1888.33	933.63
North America (11)	1212.48	-2.7	1246.30	1465.64	1.01	45.32	1574.16	864.86

Copyright, FTSE International Limited 1998. All rights reserved. Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

STOCK INDICES

	Apr 9	Apr 8	Apr 7	Apr 6	Apr 3	1998 High	1998 Low	Since comp. High	Since comp. Low
FTSE 100	6105.5	6066.2	6094.0	6105.8	6064.2	6105.8	5088.3	6105.8	986.9
FTSE 250	5520.3	5521.1	5547.8	5558.4	5557.8	5558.4	4789.2	5558.4	1379.4
FTSE 250 ex IT	5567.8	5559.8	5586.3	5598.6	5597.4	5597.4	4808.3	5597.4	1378.3
FTSE 350	2930.4	2899.9	2917.6	2923.3	2907.0	2923.3	2444.7	3046.4	664.5
FTSE SmallCap	2634.28	2631.32	2635.59	2636.80	2640.09	2640.09	2320.18	2640.09	1363.79
FTSE SmallCap ex IT	2625.94	2623.67	2627.51	2628.54	3895.31	5564.18	2316.19	5564.18	1363.79

	Apr 9	Apr 8	Apr 7	Apr 6	Apr 3	1998 High	1998 Low	Since comp. High	Since comp. Low
FTSE Fledgling	1410.30	1408.50	1411.34	1416.87	1411.12	1415.27	1265.77	1415.27	31.14
FTSE Eurotop 100	2878.75	2863.48	2906.38	2928.66	2883.08	2928.66	2236.40	2928.66	2044.47
FTSE Eurotop 300	1243.87	1238.36	1252.98	1263.63	1248.95	1263.63	971.93	1263.63	874.08
FT 30	3855.7	3824.4	3846.5	3867.0	3872.4	3872.4	3236.4	3872.4	49.4
FT Govt Securities	105.57	105.34	105.38	105.48	105.41	105.57	101.82	127.40	49.18
FT Fixed Interest	142.33	142.15	142.20	142.36	142.27	142.36	135.65	142.36	50.53

هكذا من الأصل

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ YESTERDAY
Asian Devlpt 11% Bds 2001 £110
Barclays Australia Intl Fin GND 1999 A$80
Carlton Comms ADR $0.7886
DKB Intl FRD 2005 $87500
Treasury 9% 2008 £4.50

■ TODAY
Abbey Natl First Cap FRN 2003 $28.81
Do FRS 2009 SwF1112.22
Commonwealth of Australia 9½% 2012 £237.50
Budgens 0.45p
Centex Corp $0.04
Enterprise 11¾% Uns 2016 £5.8125
French Prop 1.45p
Gardiner 0.7p
Kobe Steel 2.65% Bds 1998 Y265000
Do 3% Bds 1999 Y300000
Do 3.2% Bds 2000 Y320000
Lothbury Fdg No1 Class A1 Mtg BFR £254.56
Do Class A2 2031 $1990.25
Do Class B Mtg BFR £2191.89
More Group 12.5p
Nightfreight 1.3p
Ryland Group 3p
Svenska Cellulosa Non-Rstd B Sk5.75

■ TOMORROW
Aberdeen Convertible Inc 4.8p
Armitage Bros 3.3p
Barclays Bank Prop Inx Certs 1997 £1.95
Do Certs 1998 £1.86
Baring Tribune Inv 6p
BP Finance Australia 8¾% Bds 1998 $418.75
Chester Asset Rec Dealings No1 Asset BFR 2000 £1921.56
Do Dealings No4 2004 £1894.08
Chrysler Corp $0.40
City Mortgage Rec 2 FRN 2023 £46.63
Do Rec 3 Mtg Class A FRN 2023 £42.26
Do Class B FRN 2023 £71.83
Do Rec 4 Class A FRN 2028 £50.48
Do Class B FRN 2028 £71.83
Do Rec 5 Class Dfd FRN 2032 £27.83
Do Class B FRN 2032 £62.11
Do Rec 6 Class A FRN 2029 £50.23
Do Class B FRN 2029 £71.83
Conister 1.28p
Enterprise Oil Sub FRN 1999 £42882.19
Finland 11¼% 2009 £287.50
Franklin Res $0.05
General Electric Co $0.30
Goode Durrant 3½% Cm Prf 0.875p
Govett Strategic Inv 9¾% 2017 £4.9375
Granada FRN 1998 £2044.58
Hydro-Quebec 10¼% Debs Series HX 2021 C$52.50
Do FRN Series IN 1999 $13.98
ICI 9¾% Bds 2005 £97.50
Do 10% Bds 2003 £100
Johnson Fry Euro Utilities Inc 2.3pJohnson Fry Utilities 1.27p
Do Income 1.27p
Logica 4.5p
MEPC 9⅞% Bds 2004 £98.75
Do 10⅛% Bds 2003 £02.50
London Borough of Merton 11⅛% Red 2017 £5.625
Morgan Sindall 5¾% Cv Cm Prf 2.8125p
Motorola $0.12
Occidental Ptrlm $0.25
Quaker Oats $0.285
Richards 4% Cm Prf 1.4p
Do 5¼% Cm Prf 1.44375p
Sanwa Finance Aruba Gtd FRN $1514.24
SmithKline Beecham 1.85p
Do ADR $0.303
SONAR 2 Class A FRN £169.05
Do Class B FRN 2022 £214.56
TECO Electric & Mach 2¾% Bds 2004 $275
Wereldhave Prop 9½% Mtg Deb 2015 £4.75
Do 10¾% 1st Mtg Deb 2015 £5.375

■ THURSDAY APRIL 16
Benchmark 1.65p
Bryant 1.45p
Elbief 0.4p
GGT 2.5p
Hongkong & Shan Bkg Primary Cap FRN 3rd Series $73.44
Manchester & London Inv 1.33p
Marylebone Warwick Balfour 1.25p
M & G Recovery Inv Inc 1p
Do Geared Units 1p
Do Pckg Units 1p
Morgan Sindall 3.58p
NatWest 9% Non-Cm Prf A 4.5p
Do Non-Cm Dollar Prf A $0.532
Do Non-Cm Dollar Prf B $0.4375
Swansea 13⅛% Rd 2006 £6.875
Whatman 10.3p

■ FRIDAY APRIL 17
Abbet Natl Treasury Gtd FRN 2001 It75004
ARRIVA 9.9p
Billiton $0.035
Bristol & West FRN 2001 £1853.42
Brunner Mond 2.9p
Close Bros 4.8p
Finsbury Smlr Cos 2.3p
Govett High Inc Inv 1.12p
Henderson Euro tst 1p
Do Units 1p
Henderson TR Pacific Inv 0.45p
HI-TEC 0.6p
Jasmine Tran A FRSN 2003 Y1335890
Do Tran B FRSN 2003 Y634315
Kleinwort Dvlpt Fund 5p
Martin Currie Inc & gwth 1.8p
Merivale Moore 0.75p
Metal Bulletin 16.3p
St Paul Cos $0.50
Senior Eng 4.4p
STB Finance Cayman Sub FRTN 2003 $3437.50
Sumitomo Bank 6.1% Nts 1998 Y49139
Wilson (C) 3p

■ SATURDAY APRIL 18
Allied London Props 5¾% Cv Cm Prf 2.875p
Conversion 9½% 2005 £4.75
Echlin $0.225
Province of Nova Scotia 11¾% Ln 2019 £5.875

■ SUNDAY APRIL 19
Ireland Variable Rate Bd 2000 I£1.51

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Dixon Motors, Burton House, Attercliffe Road, Sheffield, 10.30
Jupiter Split Trust, Knightsbridge House, 197, Knightsbridge, SW7, 12.00
TDS Circuits, 12, Cunliffe Road, Whitebirk Estate, Blackburn, 12.00
BOARD MEETINGS:
Interims:
Associated British Foods
Dowding & Mills

■ TOMORROW
COMPANY MEETINGS:
British Vita, British Vita Training & Dvlpt Centre, Green Street, Middleton, Manchester, 2.30
Herald Investment Trust, 12, Charterhouse Sq, EC1, 12.00
Willis Corroon, 10, Trinity Square, EC3, 12.00
BOARD MEETINGS:
Finals:
Electrophoretics Intl
Eyecare
Rugby Estates
White Young Green

■ THURSDAY APRIL 16
COMPANY MEETINGS:
British Petroleum, Barbican Centre, EC2, 11.00
Capita Group, 12, Appold Street, EC2, 10.00
BOARD MEETINGS:
Finals:
Caverdale Group
Donatantonio
ILP Group
International Energy
Premier Farnell
Seascope Shipping

■ FRIDAY APRIL 17
COMPANY MEETINGS:
Cakebread Robey, 318-326, Southbury Road, Enfield, Middlesex, 11.00
St Modwen Props, Ironmongers' Hall, Barbican, EC2, 12.00
Sanderson Bramall Motor, Merc-Benz Car Dealership, Thornton Rd, Bradford, 11.00
BOARD MEETINGS:
Finals:
Alliance UniChem

Company meetings are annual general meetings unless otherwise stated.
Reports and accounts are not available until six weeks after the board meeting to approve the preliminary results.
This list is not comprehensive since companies are not obliged to notify the Stock Exchange of announcements.

CONFERENCES & EXHIBITIONS

INTERNET WORLD UK SPRING '98 CONFERENCE
Olympia Conference Centre, London
11-14 May
Internet World UK Spring '98 is the UK's leading business solutions event with a totally focused business audience. The hard-hitting conference addresses E-Commerce, Internet Technology and Marketing & Media (incorporating Advertising Forum).
Keynotes from industry leaders such as Digital, Citibank, Cisco, BackWeb and Intel, make this the must attend conference for '98.
If your business needs to maximise the commercial power of the Internet, call
Mecklermedia · The Internet Media Company
on 01523 898671 or visit our web site: www.internetworld.co.uk

May 20th - 22nd 1998
The Millennium Conference Centre, Gloucester Hotel, London
Payments over the Internet....learn the facts at
CyberPayments Europe '98
Concentrating purely on payments on-line this unique series is a must for Heads of Payments and Payments Systems in Banks, Financial Institutions and Retailing.
World renowned experts give the European perspective on this exploding market including Encryption Methods; Security; Regulation and Global Standards.
IN ASSOCIATION WITH
NACHA, ECE, ECA and ISPA
GLOBAL SPONSORS
Tandem, a Compaq Company
LUNCHEON SPONSORS
GTE CyberTrust Solutions
CYBER PAYMENTS
To register contact
Michele Gawinowicz at 44 (0)171-827-5983
For further info and full programme details visit: http://www.cyberseries.com

MAY 5 - 8
Conference on International Securities Lending
Co-sponsored by ISLA (U.K.) and RMA (USA), a joint U.S./European Securities Lending Conference covering the industry. Issues discussed and updates from lending associations worldwide influence lending markets globally. Keynote address Wednesday by Rt. Honorable Christopher Patten, Former Governor of Hong Kong. Thursday's address by Deborah Marchini, CNN anchor and correspondent.
Contact Robert Morris Associates, mention the FT Ad
Tel: 800-677-7621 Fax: 215-446-4100
Grand Hotel, Krasnapolsky
AMSTERDAM

Project World '98
European Conference
is your opportunity to learn the latest Project Management Strategies and Technologies at a Conference designed to help you Maximize Your Performance in today's Project Management Cultural Explosion.
For information, or to enrol:
Contact: Isabelle Donatiello
Phone: (32) 2 655 5528
Fax: (32) 2 655 5739
http://www.projectworld.com
PROJECTWORLD
London

APRIL 20 - JUNE 8
FT-City Course
The FT-City Course, which takes place over eight weekly afternoon sessions, provides an excellent introduction to the workings of the City of London as a major financial and trading centre. Authoritative speakers will include: Mr Paul Dex, LIFFE; Mr Clive Longhurst, Association of British Insurers.
Registrations/Enquiries: Sian Fancourt, FT Conferences
Tel: (+44) 171 896 2120
Fax: (+44) 171 896 2696/2697
Email: sianf@pearson-pro.com
LONDON

THE CENTRE FOR GLOBAL ENERGY STUDIES
Oil and Gas Investments in Asia: Aftermath of the Financial Crisis
A two-day event hosted by The Centre for Global Energy Studies (CGES) and chaired by HE Sheikh Ahmed Zaki Yamani, will examine many key issues including: The crisis and Asia energy balances * New approaches to debt financing in an uncertain environment * Energy reform policies in China and India * The prospects for regional energy integration * Business and investment strategies for oil and gas companies in an uncertain market * Inter-regional developments to drive energy growth * The oil price crisis and the impact on energy growth.
£899 + VAT
Contact: Lisa Williams
Tel: +44 171 704 6161
Fax: +44 171 704 8440
London

CBD Workshop - Introductory Training
Sterling Software are holding a series of technology focused Component Based Development introductory workshops. These two day workshops will be held between May and June and are the first of its kind. The sessions will be tool independent with the focus on educating and informing the market place of the real business benefits of taking a CBD approach to application development.
Contact: Emily Browne
01784 212238
STERLING SOFTWARE
London

3rd Turkish Power Industry Forum III - Senior Executives
Privatization, Financing, Regulation, Projects (Gas & Electricity)
Keynote: Minister Cumhur Ersumer, Ministry of Energy & Natural Resources. TEAS, BOTAS, Undersecretariat of Treasury, InterGen, National Power, NV Nederlandse Gasunie, GAMA Industries, Shell International Gas Ltd, The World Bank, Koç Holding, Howard Energy Int., Stewart & Stevenson, CMS Electric & Gas Co., PacifiCorp., Taylor-De-Jongh, The AES Corporation, ABB Project & Trade Finance.
PennWell C&E
Phone: 00 31 30 2650963
Fax: 00 31 30 2650928
http://www.pennwell-europe.com
Istanbul

JUNE 2 - 3
Preparing for EMU: The IT Challenge
This event enables you to learn from the experience of practitioners, establish the contribution IT can make to EMU Strategy, and be fully briefed on all IT aspects of EMU.
http://www.business-intelligence.co.uk
Tel: 0181 879 3355
Fax: 0181 879 1122
Email:
jane.mills@business-intelligence.co.uk
LONDON

APRIL 20 - 22
Securities Settlements
• Overview of Securities Products and their Derivatives • Systemic Risk in Securities Markets • Credit, Market and Settlement Risk • Settlement Houses - Euroclear, Cedel • Delivery v Payments • Regulatory Issues • Rolling Settlement • New Technology • Emerging Markets
3 DAYS £975+VAT
Contact: Birchin International
Tel: 0171 628 4112
Fax: 0171 628 4113
Email: birchin@birchin.com
LONDON

APRIL 28 - 29
Implementing a Corporate EMU Strategy
The programme deals with immediate operational challenges for finance, IT and human resources as well as the wider issues posed by EMU - regardless of whether the UK joins the single currency.
http://www.business-intelligence.co.uk
Tel: 0181 879 3355
Fax: 0181 879 1122
Email:
jane.mills@business-intelligence.co.uk
LONDON

MAY 11
Risk 1998
A strategy forum for top executives, risk managers, compliance officers, regulators and professional advisers. An excellent panel introduces four discussions in a programme presented by Cityforum. Centre for the Study of Financial Innovation, Arthur Andersen and The Global Association of Risk Professionals.
Enquiries: Cityforum
Tel: 01225-466744
Fax: 01225-442903
E-mail: 106703.2270@Compuserve.com
LONDON

POWER-GEN Europe '98
Europe's largest Utility Conference & Exhibition for Senior Executives from Central, Eastern, Western Europe. Presenting latest developments on strategies, trends, forecasts in the Power Generating industry. Over 200 innovative presentations, 300 exhibitors, 6500 conference delegates and visitors from 75 countries expected. Plus Dealmakers Session generating financing and investment opportunities in Europe.
More information:
PennWell Energy & Utility Group
Phone: +31 30 265 0963
Fax: +31 30 265 0928
Milan, Italy

APRIL 21-22
Moving to Virtual Financial Services
Intrabank European Forum '98
Cabot Hall • Canary Wharf • London
Introduced by Jim Barksdale, President and CEO of Netscape Communications and featuring eminent speakers from the worlds of finance and technology, the event looks at the latest and future trends in financial services technology.
DATA
Organised by Intrabank Data
T: +44 (0)171 588 0950
extensions 300, 302, 302, 303
F: +44 (0)171 588 0949
E: intrabank@intrabank.com
W: http://www.intrabank.com
http://www.unisys.com/virtual
LONDON

APRIL 30
Flexible Fulfilment Along the Supply Chain
● Demand management/forecasting ● Data warehousing ● Flexible warehousing/volatile demand ● Logistics/cost impact of flexible fulfilment ● FMCG - fulfilling customer demand ● ECR ● VMI/CMI ● Customisation using postponement ● Delivering to the consumer - what next?
Contact: Fiona Griffiths, National Materials Handling Centre
Tel: 01234 750323 Fax: 01234 752040
Email: fio@cranfield.ac.uk
MILTON KEYNES

MAY 11 - 12
MORE DATES FOR 1998
Swaps Workshop 1
Introductory course for trainee dealers, sales people, auditors, support staff. Covers structure, use and valuation of swaps and overview of trading practice and essential mathematics. • Development of the market • Interest rate swaps • Currency swaps • Swapped bond issues • Mark to market • Documentation
Outline & further details available
Contact: BPP Training & Consultancy
Tel: 0171 628 8444 Fax: 0171 6728 7818
email: bpptraining@compuserve.com
LONDON

JUNE 15 & 16
The 3rd World Aluminium Conference
Speakers confirmed for this event, in association with CRU International, include senior executives from Alcan Aluminium Limited, Billiton Aluminium BV, Hydro Aluminium Extrusion, Kaiser Aluminum, Aluminium Industries SDN BHT, Alumax Inc and Aluminiy AO
Contact: Lucinda Roberts, FT Conferences
Tel: +44 171 896 2120
Fax: +44 171 896 2696
Email: ftc@pearson-pro.com
www.ftconferences.com
LONDON

SEPTEMBER 3 & 4
FT World Aerospace and Air Transport Conference
This event will examine the strategic implications of current consolidation and restructuring of the civil and defence aerospace manufacturing and civil aviation sectors. Confirmed speakers include senior executives from Airbus Industrie, British Airways plc, Banque Paribas and Cranfield College of Aeronautics.
Contact: Joanna Edwards, FT Conferences Tel: (+44) 171 896 2555
Fax: (+44) 171 896 2696
Email: ftc@pearson-pro.com
www.ftconferences.com
LONDON

International Real Estate Finance Conference "Creating a New Synergy: Global Partnerships in Real Estate Finance"
Sponsored by the Mortgage Bankers Association of America (MBA). The only international real estate finance conference devoted to mortgage finance professionals from dozens of nations. Sessions cover recent developments in the residential and commercial sectors in emerging markets. Topics include multilateral activity, government policy perspective, secondary systems, international low income housing, innovative technology and trade barriers.
For further information contact
MBA International Division
Tel: 202 861 6580
Fax: 202 861 0736
Email: international@mbaa.org
Mortgage Bankers Association of America
Maui, Hawaii, USA

APRIL 23 at 6.00 pm
"Are we in a new era economy?"
With Roger Bootle, Chief Economist of HSBC Group. Paul Burden, presenter of BBC Business Breakfast will chair.
Tomorrow's Company Forum at the RSA in association with Nicholas Brealey Publishing
Fresh thinking for and by business leaders
Call 0171 930 5150
LONDON

TRAINING COURSES FOR FINANCE PROFESSIONALS
IFF develop and deliver unrivaled financial training courses in Analysis, Derivatives & Trading, Investment, Regulation, Financing Techniques, Risk and The Euro.
COURSES RUNNING IN APRIL
- 20-21 MBOs
- 21-22 VAR
- 22-24 Interest Rate Models
- 23-24 Energy Derivatives
- 27-28 Interest Rate Risk Management
- 27-29 Global Asset Allocation
- 27-29 Corporate Valuation

For more details call
Gareth Vincent
on +44 171 344 3835
IFF
Central London

MAY 11-13
Essentials of Risk Management
• Forwards, futures, options, swaps and structured notes • Overview of modern derivatives • Hedging a stock portfolio • Business risk management • Interest rate derivatives • Diversified portfolio using equity swaps • Investing in fixed income emerging markets • Derivative disasters and how to avoid them
3 DAYS £975 + VAT
Contact: Birchin International
Tel: 0171 628 4112 Fax: 0171 628 4113
Email: birchin@birchin.com
LONDON

MAY 18-20
Understanding Derivatives
Fundamentals to Derivatives Markets. How to hedge or leverage exposures on interest rates, currencies, equities and commodities using: • Futures • Options • Swaps • Swaptions • Exotics.
Recent innovations in: • Value at Risk Models • Credit Risk Derivatives
3 DAYS £875 + VAT
Contact: Birchin International plc
Tel: 0171 628 4112 Fax: 0171 628 4113
Email: birchin@birchin.com
LONDON

JUNE 22 & 23
The 21st Annual FT World Gold Conference
Confirmed speakers include Mr Peter Fava, Chairman, LBMA, Head of Precious Metals, HSBC Midland; Mr Bobby Godsell, Chief Executive Officer, Anglogold; Dr Stewart Murray, Chief Executive, Gold Fields Mineral Services Ltd; Dr Rudolf Trink, Head of Treasury, Strategy Division, Austrian National Bank and Mr John M Willson, President and Chief Executive Officer, Placer Dome Inc.
Contact: Sarah Gibb, FT Conferences
Tel +44171 896 2639 Fax +44171 896 2696
Email: sarahg@pearson-pro.com
BARCELONA

Planning a Conference?
Today's UK and international business meetings require the latest in conference technology and equipment.
CARPENTER COMMUNICATIONS provides everything from LCD projection to satellite link technology backed up by full technical and production support.
When planning your next conference, call the experts.
Contact: Lin Stroud
Tel: 0181 897 2736
Fax: 0181 759 7165

APRIL 23 & 24
Korea: A unique opportunity to meet the new leadership
Speakers include: President Kim Dae Jung; Mr Park Chung-Soo, Minister of Foreign Affairs and Trade, Republic of Korea; Mr Kim Woo-Choong, Chairman, Daewoo Group, President Elect of Korean Federation of Industries; Mr Cho Se-Hyung, Acting President of National Congress for New Politics
Contact: Christopher Kelly, FT Conferences Tel: +44 171 896 2633
Fax: +44 171 896 2696
Email: ftc@pearson-pro.com
www.ftconferences.com
SEOUL

MAY 18 - 22
MORE DATES FOR 1998
Credit Analysis - Level Two
For those with a good knowledge of accounting & understanding of financial statements. Gives more sophisticated interpretation, cashflow analysis, understanding a business & problem loan identification. - Risk, liquidity & company dynamics • Evaluation of financial information • Cashflow - historical analysis and forecasting • Groups - accounting & lending • Creative accounting techniques • Problem loans
Outline & further details available
Contact: BPP Training & Consultancy
Tel: 0171 628 8444 Fax: 0171 6728 7818
email: bpptraining@compuserve.com
LONDON

LANGUAGE COURSES

BUSINESS OPPORTUNITIES

READERS ARE RECOMMENDED TO SEEK APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

MAJOR DISTRIBUTION CENTRE

EDINBURGH - ADJACENT TO MOTORWAY NETWORK

To lease, new on the market, 173,750 sq.ft. of Storage and Distribution on a site of approximately 6 acres.

The construction is ideally suited for Multi/Dedicated space, customer storage and distribution. Sprinkler, alarm and heating systems throughout.

Very competitive package can be quoted to interested PLC's.

BEECH HOUSE PROPERTIES
BARNTON AVENUE
EDINBURGH EH4 6JJ
Fax 0131 336 1788

Flexible movement of numerous carriages

MULTI-CARRIER-LINEAR-MOTOR-TECHNOLOGY

Revolutionary direct drive technology for new applications in conveying plants, distributing, sorting and interlinking systems, (airport) freight handling, automation, industrial ovens, paper, textile and printing plant, foil manufacturing, etc.

A manifold of carriages transport and move individually and open loop controlled. For extreme industrial and open air environments.

For details:
ANTI-EO Innovationsplanung,
Hanover Fair, 20-25 April,
Hall 18 R&D, 1st floor, NO6.
Tel +49 781 75700, Fax +49 781 25485
http://www.anthonj.de/brueckner

OFFSHORE
COMPANIES
TRUSTS
2ND PASSPORTS

For brochure and immediate service contact Peyman Zia, Director
INTERNATIONAL COMPANY SERVICES (UK) LIMITED
Standbrook House, 2 - 5 Old Bond St., London, W1X 3TB.
Tel: +44 171 493 4244
Fax: +44 171 491 0605
E-Mail: uk-info@icsl.com
http://www.icsl.com

Selection of New Investment Opportunities

Free Telephone Calls	600k
Network CD-ROM Servers	750k
Windows 98 Guide	16k
Retail Massage Chain	165k
Table Soccer Game	400k
Oxford TV Channel	1.2m
Internet Kiosk Software	200k
Independent Traveller's Guide	125k

Venture Capital Report features businesses seeking equity capital. VCR reviews business plans & meets the entrepreneurs concerned.

For a free trial, call 01865 784411

Personal Numbers add up to a big opportunity.

Everyone changing their telephone number is in the market for a lifetime 07000 Personal Number. To benefit from this business opportunity, call The Personal Number Company now.

07000 654321

ASPIRING MILLIONAIRES

Call and Listen.
Not MLM or franchising.
Call 0800 542 1220

PROJECT AND COMMERCIAL funding available to UK and international clients.

Anglo American Group Plc.

Tel: 01924 201 365
Fax: 01924 201 377

Energy Management

Top drawer consultancy requires additional Associates/Partners to earn minimum £150k over next 3 years. Full support. Outline details from ALP Rec. Con. quote CTR 1.

Telephone 01228 562767

BUSINESSES FOR SALE

HUTA STALOWA WOLA STEELWORKS LTD

INVITATION FOR NEGOTIATIONS

HSW-Zaklad Hutniczy Sp. z.o.o. of Stalowa Wola, Poland invites investors to make capital investments in the operations of the company as part of its restructuring programme. Zaklad Hutniczy produces rolled, forged and drawn products from quality steels, based on EAF coupled with secondary metallurgy non-furnace processing technology and continuous casting. The company has years of experience in the production of a wide range of steel products, of varying types, shapes and dimensions to a number of industries. Company has been awarded the ISO 9002 Certificate by LRQA. The Company annual turnover is around USD 103,000,000. Written replies to this advertisement should be directed to the following address:

Mr Marek Stepniewski
Member of the Board
Director of Technology and Development
HSW-Zaklad Hutniczy Sp. z o.o.
37-450 Stalowa Wola
ul. Kwiatkowskiego 1
Poland

Replies should be made by the 30th April 1998. The Information Memorandum and the details of further procedures will be made available to interested parties after signing a "Letter of Confidentiality" and the payment of USD 600 to the following bank account at Bank Depozytowo-Kredytowy S.A., Department in Stalowa Wola No. 10701702-228-2221-0100.

The company reserves the right to terminate negotiations without providing reasons and to extend the deadline for replies to this offer.

PC WISE

Professional Software Manufacturing
(In Administration)

Compact Disc Manufacturing Company

- ☐ Leading Manufacturer of Compact Disc's
- ☐ Two freehold properties at Merthyr Tydfil (70,000 sq ft)
- ☐ Modern C D pressing lines (100,000 cd/day capacity)
- ☐ Blue Chip customer base
- ☐ Turnover year ended March 1998 £6.2 million

BUSINESS AND ASSETS FOR SALE

Geoffrey Martin & Co

EDWARD SYMMONS & PARTNERS
Harford House, Frogmore St,
Bristol BS1 5LZ
Fax 0117 927 3006

Contact: Chris Price

Tel: 0117 927 3454

CHRISTIE & Co

SURVEYORS, VALUERS & AGENTS

EAST SUSSEX

NURSING HOME
REGISTERED FOR 29
- Weekly fees from £303-£630.
- Substantial property with purpose built wing, 8 person passenger lift.
- Staff/owner's flat plus detached 3 bedroom coach house, site extends to 3 acres (subject to survey).

£895,000 FREEHOLD
London Office Ref 005/FT1843
0171 227 0700

NORTH SOMERSET

BY DIRECTION OF
Coopers & Lybrand

LINDEN HOUSE NURSING HOME, YATTON, REGISTERED FOR 20
- Passenger lift. High Street location.
- 12 single and 4 twin rooms.
- Manager run.

OFFERS INVITED FREEHOLD
Bristol Office Ref 34/FT1408/R
0117 974 4566

MIDDLESBROUGH

RESIDENTIAL CARE HOME
REGISTERED FOR 10 EMI
- Excellent reputation in area with good occupancy levels.
- 8 single and 1 twin bedroom.
- Income year end 31.8.96 £109,271.

£175,000 FREEHOLD
Newcastle Office Ref 64/FT7666
0191 222 1740

CENTRAL SCOTLAND

HARVIESTOUN COUNTRY INN
- Fully refurbished to outstanding effect.
- Ideally situated between Stirling and St. Andrews.
- Bar, bistro, function suite, 10 en suite letting rooms, car park.
- Highly sought after.

£445,000 FREEHOLD
Glasgow Office Ref 68/FT45004
0141 204 3000

DORSET

NURSING HOME
REGISTERED FOR 27
- Purpose built and trading with strong occupancy.
- Fee range £311-£400 per resident per week.
- 15 single rooms and 6 double rooms, some with en suite provision.
- Fee income from Management Accounts for 9 months ended 31.3.97 £287,418.

£550,000 FREEHOLD
Winchester Office Ref 38/FT74854
01962 844455

MIDDLESEX

NURSING HOME
REGISTERED FOR 38
- Quality purpose built private nursing home. 36 single and 1 twin bedroom, 8 person passenger lift.
- Weekly fees from £329 to £525, with an average of £425.
- Draft fee income year end 31.3.98 £757,417, run by matron.

£1,400,000 FREEHOLD
London Office Ref 005/FT1842
0171 227 0700

LONDON

HOTEL, BAYSWATER, W2
- London 3 star standard hotel.
- 59 en suite letting bedrooms.
- Refurbished to a high standard.
- Forecasted T/O to year end 31.3.98 £600,000.

£4,750,000 FREEHOLD
Contact Craig Millward
Ref 20/FT400
0171 227 0700

OFFICES AT: LONDON · BIRMINGHAM · BRISTOL · EDINBURGH · EXETER · GLASGOW · IPSWICH · LEEDS · MANCHESTER · MILTON KEYNES · NEWCASTLE · NOTTINGHAM · WINCHESTER

FOR SALE

EX-MERCEDES DIESEL ENGINE PLANT

Formerly used in the production of 2,4 litre, 4 cylinder diesel engines.

Either as complete manufacturing facility or as individual component lines.

INCLUDING:
CYLINDER BLOCK LINE
CYLINDER HEAD LINE
CRANKSHAFT LINE
CAMSHAFT LINE, CON ROD LINE
FLYWHEEL LINE

For colour brochure and viewing arrangements please contact

ZWG Industries
Industriestrasse 7, CH-3178, Bösingen, Switzerland
Tel: +(41) 31 7406060
Fax: +(41) 31 7406070
Email: j.moecke@zwg.com

JSK Industries
Office 21, Achilleos Building
224 Arch. Makarios III Avenue
3030 Limassol, Cyprus
Tel: +(357) 5 340838
Fax: +(357) 5 340827
Email: barry@jsk.com.cy

Machine Tool Accessory Manufacturing Co.

Est. over 20 yrs.
Annual T/O: £8m.
Well respected in industry.
Established customer base in UK and overseas.
Owner wishes to retire.
Box B5811, Financial Times, One Southwark Bridge, London SE1 9HL.

www.cybo.net/bsr

BUSINESS SALE REPORT

The No. 1 independent listing of medium to large companies for sale in the UK (T/O £1m+). Now includes European companies for sale + all UK receiverships. For sub details:
0181-875 0200

FOR SALE

EX ... ENGINEERING, CONSTRUCTION AND SHEET METAL FABRICATION COMPANY which is located in Kent.

Company achieved turnover of £1.8 million in 1997 and is forecasting £3 million in 1998. Company has a very attractive forward order book and a well established reputation in its industry.

Please reply to: Box B5808, Financial Times, One Southwark Bridge, London SE1 9HL

SPECIALIST MANUFACTURER OF FROZEN CAKES, GATEAUX AND PASTRIES

For sale as a going concern the business and assets of C&D Continental Patisserie Limited (In Administrative Receivership)

- Annual turnover per last audited accounts £1.8 million.
- Blue chip company base.
- 1.9 acres freehold site at Radcliffe, Greater Manchester including 26,000 sq. ft. manufacturing and freezer space.
- Fully equipped manufacturing facility capable of significantly increased output.
- Skilled workforce.

For further details contact the Joint Administrative Receiver : Gerald Smith, Robson Rhodes, Colwyn Chambers, 19 York Street, Manchester M2 3BA Tel: 0161 236 3777 Fax: 0161 455 3309

ROBSON RHODES RSM

Robson Rhodes is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

FOR SALE

Leading publications in the leisure market

Due to retirement of the proprietor, a rare opportunity has arisen to acquire a leading business magazine and ancillary publications in the sports/leisure market.

T/o approx £500k p.a.

The business is based in the South

In the first instance, write:
Mark Elliott, Baker Tilly,
12 Gleneagles Court, Brighton Road,
Crawley, W Sussex RH10 6AD

Baker Tilly is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

YOUR VERY OWN FAWLTY TOWERS

Leasehold business for sale. Family Hotel 90 miles from London.
Owner retiring.
Box B5809, Financial Times, One Southwark Bridge, London SE1 9HL

PRIVATE BUSINESS RADIO - Small London Based P.M.R. Business for sale. Trunked and Single Channels. Box B5806. Financial Times, One Southwark Bridge, London SE1 9HL.

BAKERY

Well established and Extremely Profitable. Ongoing Management. Located North West. Sales £1 million+. Fax 01905 613522

EASTERN EUROPE

Well established Agency Consultancy seeks additional assignments whether short or long term.

Contact: CP International (UK) Ltd. The Hazel, Sunnybank Close, Maresfield, E. Sussex TN22 2ET
Tel 01435 877771 Fax 01435 877771

Tudor Dairies Limited
Loseley Dairy
Ice Cream Limited

Both in administrative receivership

The joint administrative receivers, C K Rayment and W S Martin, offer for sale the business and assets of the above companies.

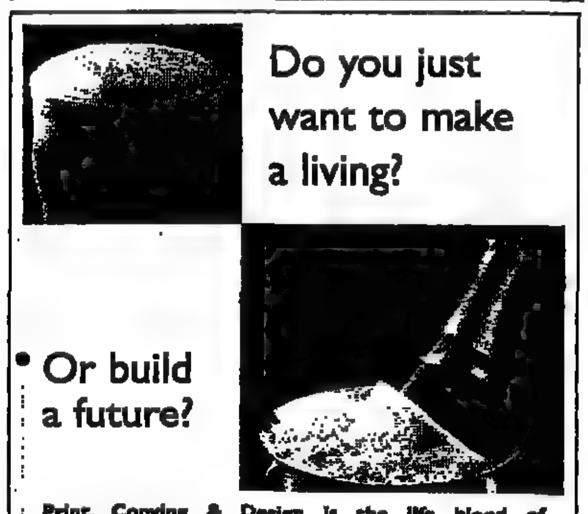
- *Manufacturer of own label ice creams and mousses for many leading high street retailers*
- *Annual turnover approximately £10million*
- *Modern well equipped 72000 square foot (approx) freehold factory units at Stourbridge, West Midlands*
- *"Loseley" brand of premium ice cream products*
- *"Dayvile" brand*

For further information, please contact Kim Rayment at Ernst & Young, One Colmore Row, Birmingham B3 2DB Tel: 0121 232 4151 or Fax: 0121 232 4448

ERNST & YOUNG

The United Kingdom firm of Ernst & Young is a member of Ernst & Young International and is authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

FRANCHISING



Do you just want to make a living?

• Or build a future?

Print, Copying & Design is the life blood of every business.
And as an owner of a Kall Kwik Centre you will have the perfect introduction to all those businesses.
So if you have £45,000 to invest, the ability to manage your own team and enjoy dealing with customers, call us for an information pack quoting FT14/4.

FREEPHONE 0500 872060

Kall Kwik PRINT COPY DESIGN

CONTRACTS & TENDERS

REGIONE LIGURIA

NOTICE OF SELECTION

The regional council intends to confer as per article 25, comma 1, of Regional law 8.9.1993 n. 45, and subsequent modifications, a professional consultation (advisor) for obtaining the rating.

The companies interested in participating at the selection can collect the relative call for bids at the Settore Amministrazione Generale - Via Fieschi, 15 - Genova, Italy (Tel. + 39 - 10 - 5485251 - Fax + 39 - 10 - 5485708).

The offers must absolutely arrive within and not beyond **12pm of 27/04/1998** at the. Protocollo Generale of the Liguria Region, addressed as follows: REGIONE LIGURIA SETTORE AMMINISTRAZIONE GENERALE - Via Fieschi, 15 - 16121 Genova

IL RESPONSABILE
DEL PROCEDIMENTO
Nicola Poggi

BUSINESS SERVICES

SYSTEM/EXECUTIVE OFFICE FURNITURE

Direct from Italian Manufacturer
Up to 60% discount from R.R.P.
Tel: 0171 295 1110

BANKRUPTCY ADVICE

- Practical and legal advice in bankruptcy law and procedure.
- Advice in avoiding or objecting to bankruptcies in appropriate cases.
- Advice to bankrupts in dealings with Official Receivers and Private Trustees in bankruptcy.
- Most reasonable and competitive hourly charge rates.

THE BANKRUPTCY CLINIC
43 BRANSGROVE ROAD, EDGWARE, MIDDLESEX, HA8 6HZ Tel: 0181 951 0541

HARLEY STREET

PRESTIGIOUS BUSINESS CENTRE

Serviced offices.
Business address, telephone, fax and email address with free message taking and handling of mail.
Boardroom and offices available for hire.
Phone 0171 637 8505, email 12harley@compuserve.com

Angara, Levin & Baltz

Commercial/Criminal/Tax Litigation
Cost Effective Representation of Global Clients in U.S. Courts
U.S.A offices in New York, New Jersey, Pennsylvania
908.306.1500 fax: x1900
Email: A3jr@angaralaw.com

To Advertise Your
Legal Notices
Please contact
Melanie Miles on
Tel: +44 171 873 3349
Fax: +44 171 873 3064

LEGAL NOTICES

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re: : Chapter 11
: Case No. 98-661 (PJW)
PORTACOM WIRELESS, INC., :
Debtor. :

NOTICE OF AUCTION TO PURCHASE CERTAIN PROPERTY

PLEASE TAKE NOTICE THAT:

1. Pursuant to an order of the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") dated April 3, 1998 (the "Order"), the above-captioned debtor (the "Debtor") is holding an auction for the purchase of 2,000,000 shares of common stock (the "MAC Shares") in Metromedia Asia Corporation ("MAC") and warrants to purchase an additional 4,000,000 shares of MAC common stock with a strike price of $4.00 per share (the "Warrants").

2. The Debtor will hold the Auction beginning on April 23, 1998 at 10:00 a.m. and continuing if necessary, from day to day until completed, at the offices of Klehr, Harrison, Harvey, Branzburg & Ellers LLP, 1401 Walnut Street, Philadelphia, Pennsylvania 19102. VDC Corporation, Ltd. ("VDC") and all other interested parties will submit their highest bids to purchase the MAC Shares and Warrants in accordance with the bidding procedures approved by the Court (the "Bidding Procedures").

3. A hearing to approve the sale of the MAC Shares and Warrants to the highest and best bidder will be held on April 23, 1998 at 2:30 p.m. (Prevailing Eastern Time) at the Bankruptcy Court, 824 N. Market Street, 6th Floor, Wilmington, Delaware 19801.

4. A complete copy of all of the Bidding Procedures, the Order and the Postpetition Asset Purchase Agreement with VDC, as amended, are available upon request, at the Debtor's expense, from (a) Delaware Legal Copy (302) 426-1500, or (b) the below-listed counsel.

Dated: April 6, 1998
Wilmington, Delaware

BY ORDER OF THE COURT

WALSH & MONZACK, P.A.
400 Commerce Center
Twelfth and Orange Streets
P.O. Box 2031
Wilmington, DE 19899
(302) 656-8162
Attn: Francis A. Monaco, Jr., Esquire

Counsel to the Debtor and Debtor-in-Possession

-and-

KLEHR, HARRISON, HARVEY, BRANZBURG & ELLERS LLP
1401 Walnut Street
Philadelphia, Pennsylvania 19102-3163
(215) 569-4060
Attn: Jeffrey D. Kurtzman, Esquire

Special Counsel to the Debtor and Debtor in Possession

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re: : Chapter 11
PORTACOM WIRELESS, INC., : Case No. 98-661 (PJW)
Debtor. :

ORDER SETTING DEADLINE FOR FILING PROOFS OF CLAIM AND INTEREST

Upon consideration of the motion of PortaCom Wireless, Inc. (the "Debtor") for an order fixing the deadline to file proofs of claim and interest (the "Motion"); and it appearing that the establishment of a deadline for filing proofs of claim and interest is in the best interest of the Debtor's estate, it is on this 3rd day of April, 1998 ORDERED, in part:

1. Each entity and individual that holds a prepetition claim against or interest in the Debtor shall file a written proof of such claim or interest with the Clerk of the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") on the Claim Form on or before May 15, 1998 (the "Bar Date").

2. A proof of claim must be filed prior to the Bar Date by those entities whose claim (a) arises from the rejection of an executory contract or an unexpired lease; (b) is not listed in the Schedules, (c) is listed in an incorrect amount, (d) is listed as disputed, contingent or unliquidated, or (e) is disputed as stated in the Schedules and desires to participate in this Chapter 11 case and share in any distribution.

3. Any entity which is required to file a proof of claim or interest, but who fails to do so on or before the Bar Date:

(a) shall not be treated as a creditor or equity security holder of the Debtor for the purpose of voting and distribution;

(b) shall be forever barred from (i) filing a proof of claim or interest; (ii) asserting such claim against the Debtor; (iii) voting on any plan or plans of reorganization filed in this case; and (iv) participating in any distribution in the Debtor's Chapter 11 case.

The Debtor and its properties shall be discharged forever from any and all indebtedness, liability or right to distribution in respect of such claim or interest.

/s/
UNITED STATES BANKRUPTCY JUDGE

Dated: Wilmington, Delaware
April 3, 1998

A COMPLETE COPY OF THE ORDER IS AVAILABLE UPON REQUEST, AT THE DEBTOR'S EXPENSE, FROM DELAWARE LEGAL COPY (302) 426-1500.

LEGAL NOTICES

No. 1340 of 1998

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
PALL MALL SERVICES GROUP LIMITED
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

FINAL ADVERTISEMENT FOR INSERTION IN THE FINANCIAL TIMES

Notice is hereby given that the Order of the High Court of Justice (Chancery Division) 1 April 1998 confirming the reduction of the capital of the above named Company from £10,000,000 to £6,678,213 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above mentioned Act were registered by the Registrar of Companies on 2 April 1998.

Dated 6 April 1998

Nabarro Nathanson of
50 Stratton Street,
London, W1X 6NX

Ref: FA/RZV/G1728/00007

In the Matter of

BESRES PHOENIX FOUR PLC

And in the Matter of the Insolvency Act and Rules 1986

In accordance with Rule 4.106, I, John William Powell of Levy Gee, 4th Floor, Southfield House, 11 Liverpool Gardens, Worthing, West Sussex BN11 1RY give notice that on 31 March 1998 I was appointed Liquidator of Besres Phoenix Four plc by resolutions of Members.

Notice is hereby given that the creditors of the above named company, which is being voluntarily wound up, are required, on or before 1 June 1998 to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned John William Powell of Levy Gee, 4th Floor, Southfield House, 11 Liverpool Gardens, Worthing, West Sussex BN11 1RY the Liquidator of the said company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution.

Dated 31 March 1998

JOHN WILLIAM POWELL Liquidator

هكذا من الأصل

CONTRACTS & TENDERS

INVITATION TO TENDER FOR CONSTRUCTION OF
BANK OF LATVIA NEW BUILDING

1)a	Address	Bank of Latvia K. Valdemāra iela 2A Riga, LV-1050 Latvia Phone: +371 7023438, +371 7022271 Fax: +371 7022271
2)a	Tendering procedure	Restricted procedure with prequalification
2)c	Contract type	Construction work
3)a	Site	Riga, Latvia
3)b	Nature and extent of services	Turnkey construction of a new branch building for the Bank of Latvia, Riga. Total building volume: about 50,500m³. Total area: 9,700m²
4)	Timing	Beginning - March 1999; Completion - April 2001
5)	Legal form of joint ventures	Jointly liable under a fully authorised representative
6)a	Deadline for filing the prequalification application	May 20, 1998
6)b	Address	See item 1
6)c	Language of bids	Latvian/English/German
7)a	Latest date for dispatch of tender documents	August 17, 1998
8)a	Required guarantees	Contract performance bond of 5% of the total amount of contract Warranty bond of 5% of the total amount of contract
9)a	Required evidence of the bidder qualification	The following information shall be submitted as evidence of expertise, capability and reliability: • balance sheets for the last three years according to Council Directive 93/37EC, Article 26(1)(b). • a list of projects completed over the last three years equivalent to the work to be performed indicating the customer/awarding authority, the value of the contract, the architect, and work performed together with other contractors; • a statement outlining the technical means at the bidder's disposal; • a list of personnel available for supervision, technical support and performance of work on the construction site; • a statement from a professional or trade register, or a Chamber of Industry and Commerce register from the domicile/location of the company headquarters; • a certificate of membership in any professional association; • a statement from the state authorities evidencing complete settlement of taxes; • a proof of experience in construction of banks and/or other technologically complex projects; • a licence for performing work in Latvia (a copy if such a licence has already been obtained); • indication of readiness to co-operate with Latvian companies as subcontractors; • experience in working abroad, evidence of an international office.
10)a	Award criteria	Price, quality, economy, see item 9)a requirements for bidder qualification
11)a	Other information	On tender procedure, see item 1 for address J. Kozlovskis, Construction Department, phone +371 7022438, fax: +371 7022271 On technical content, see item 1 for address M. Rudzītis, Construction Department, phone: +371 7022438, fax: +371 7022271 Tender Supervision Institution: Complaints Commission on Government and Municipal Procurement, Republic of Latvia Ministry of Finance, Smilšu iela 1, Riga, LV-1050 phone: +371 7229773

Contract shall be awarded pursuant to the Republic of Latvia legislative acts and, in addition, to the German legislative act "*Verdingungsordnung für Bauleistungen*" (VOB)

NOTICE OF INVITATION TO TENDER

The Ministers of Defence of France, Italy and the United Kingdom of Great Britain and Northern Ireland have agreed to proceed with the tripartite programme (known as PROJECT HORIZON) for the design and construction of a new class of frigates, to be known as the Common New Generation Frigate (CNGF). The Programme Memorandum of Understanding (MOU) for the project was signed on 11 July 1994. The Project is managed on behalf of the three nations by a Joint Project Office (JPO), located in London.

The JPO's Prime Contractor is Horizon IJVC Ltd, which is responsible for the competitive procurement of Propulsion Items for these warships. As far as possible and where it is adequately available, competition will be sought amongst the industries of the participants.

Notice is now given to interested parties of the intention to request Tenders for the following Propulsion System components for the Common New Generation Frigate:

1. Electric Propulsion System
2. Diesel Generator Sets
3. Propulsion Diesel Engines
4. Reduction Gearing

Statements of interest should be sent, to arrive by 24 April 1998, to the address given below:

Horizon IJVC Ltd
For the attention of the Commercial Manager
200 Grays Inn Road
London WC1X 8XZ
Tel: +44 171 843 8800
Fax: +44 171 843 8801

The outer envelope of the response is to be marked "Propulsion Item Statement of Interest". Responses are to indicate against which Propulsion Item the expression of interest is registered, and include, as a minimum, details of:

a. Company Structure, main shareholders, organisations and financial accounts for the previous 3 years
b. Quality accreditation (ISO and AQAP)
c. Production rate achieved in the last three years - Production Capacity
d. Experience in the supply of similar equipment
e. Commercial and Technical points of contact - (Address, fax no., telephone no.)
f. Confirmation of appropriate security classification in respect of supplying defence equipment

Interested Parties should note that the IJVC, based upon the information supplied in response to this Notice, reserves the right to:

a. satisfy itself as to the technical and financial status of any company or other organisation before it invites tenders, and
b. restrict the number of companies/consortia invited to tender.

REPUBLIC OF LEBANON
MINISTRY OF MUNICIPAL AND RURAL AFFAIRS
COUNCIL FOR DEVELOPMENT AND RECONSTRUCTION
SOLID WASTE /ENVIRONMENTAL MANAGEMENT PROJECT SECTOR
INVITATION TO TENDER
Cazas of ZAHLE, BAALBECK and HERMEL
Packages 1, 2, 3, 4 and 5 : Supply of Collection and Cleaning Equipment and the Equipment for the Operation of two Landfills and Transfer Station

The Republic of Lebanon has received a loan (No 3899 LE) from the International Bank for Reconstruction and Development (IBRD) towards the cost of improvement of the solid waste management sector in Lebanon (SWEMP) and it is intended that parts of the proceeds of this loan will be applied to eligible payments for the Supply of Collection and Cleaning Equipment and the Equipment for the Operation of two Landfills and Transfer Station for the Cazas of Zahlé, Baalbeck and Hermel.

The Republic of Lebanon, represented by the Ministry of Municipal and Rural Affairs and the Council for Development and Reconstruction (CDR), invites sealed bids from eligible contractors for the following :

PACKAGE 1 : Supply of 465 waste galvanized containers (volume 500 L) and 882 waste galvanized containers (volume 1000 or 1100L).
PACKAGE 2 : Supply of 11 waste collection compactor trucks (capacity 5 m³) and 20 waste collection compactor trucks (capacity 10 m³)
PACKAGE 3 : Supply of street sweeping mobile equipment, namely 12 pick-up vehicles, 3 utility trucks, 2 mechanical street washing / watering vehicle, 2 mechanical street sweepers , 1 wheel loader and 3 water tank trucks.
PACKAGE 4 : Supply of transfer mobile equipment, namely 1 transfer truck and 1 transfer trailer.
PACKAGE 5 : Supply of landfill mobile equipment, namely 2 landfill compactors, 2 track loaders, 2 wheel loaders, 2 utility trucks and 2 water tank trucks.

This project will be administrated by CDR based upon the World Bank's guidelines and the packages will be considered separately and distinctly. Contractors can acquire the bidding documents and bid for one or more of the above-mentioned five packages.

Contractors who have already undertaken similar projects are invited to apply for one or more of the above-mentioned packages and will be subject to post-qualification according to the criteria stated in the bidding documents. The bidding documents will be available for collection at CDR offices against the sum of US$ 200 (two hundred) for each package in the form of a banker's certified check in the name of the Council for Development and Reconstruction as of Tuesday 14th of April 1998 and are to be returned before twelve o'clock noon (Beirut local time) on Monday 1st of June 1998 at the following address: The Council for Development and Reconstruction - Tallet el Serail - Beirut - Lebanon.

The bid opening will take place at the CDR on Monday 1st of June 1998 at twelve o'clock noon (Beirut local time). Further information may be obtained from: The Council for Development and Reconstruction Tallet el Serail, Beyrouth, Liban. Tel: 961-1-981431/2 - 981253 - 643980/1 Fax: 961-1-864494 - 647947

ETBA Finance

ECONOMIC & FINANCIAL SERVICES S.A. (formerly GREEK EXPORTS S.A.)

ANNOUNCEMENT

FIRST INTERNATIONAL PUBLIC AUCTION TO THE HIGHEST BIDDER FOR PURCHASING THE ASSETS OF GEORGE DOURANDAKIS HOTEL & TOURIST ENTERPRISES S.A.

ETBA FINANCE ECONOMIC & FINANCIAL SERVICES S.A. (formerly GREEK EXPORTS S.A.), established in Athens (1 Eratosthenous St.), as special liquidator of GEORGE DOUROUNDAKIS HOTEL & TOURIST ENTERPRISES S.A. which has been placed under special liquidation by Decision No. 170/1997 of the Appeal Court of Crete and within the framework of article 46a of Law 1892/1990, as supplemented by article 14 of Law 2000/1991 as in force today

ANNOUNCES

a First International Public Auction to the Highest Bidder with sealed, binding offers for the total assets of GEORGE DOUROUNDAKIS HOTEL & TOURIST ENTERPRISES S.A. now under special liquidation.

Summary description of the company and its activity

GEORGE DOUROUNDAKIS HOTEL & TOURIST ENTERPRISES S.A. owns and runs the B Class VRITOMARTIS hotel complex in the Hora Sfakion area of the Prefecture of Chania, Crete, situated on a plot of land 27,800 m² in area and with a capacity of about 161 beds. The hotel unit consists of a two-story central central building with a basement and a total area of 3,275.68 m² and 8 bungalows with a total area of 1,471 m². Roads have been built in the surrounding area as well as two swimming pools, a tennis court, an open-air theatre, biological sewage treatment, a water storage tank, etc. More information and a detailed description are contained in the Offering Memorandum which is available to interested parties.

Terms of the Announcement

1. The auction will be conducted in accordance with the provisions of article 46a of Law 1892/1990 as supplemented by article 14 of Law 2000/1991 as currently in force; the terms contained in the present announcement and the terms contained in the Offering Memorandum, regardless of whether or not they are repeated in the present. The submission of a binding offer implies acceptance of all these terms.
2. For a fuller awareness of the company for sale, interested buyers are invited to receive, on signature of a confidentiality agreement, the detailed Offering Memorandum and ask for any other information.
3. In order to participate in the auction, interested parties must submit a sealed, binding offer to the notary public assigned to the auction, Mrs. Ioanna Christou Balanga-Dourandaki at Hora Sfakion, tel (30825) 91303 by **12:00 noon on Tuesday, 5th May 1998.** The submission of offers should be made in person or by a legally authorised representative. Offers submitted beyond the time limit will not be accepted or taken into consideration. Offers must not contain terms upon which their bindingness will depend or which create vagueness with regard to the amount or the method of payment of the offered price or with regard to any other essential points. The liquidator and the creditors maintain the right, at their incontrovertible discretion, to reject offers which contain terms and exceptions, or consider them to be non-contained, in which case the offer remains binding with regard to the rest of its content.
4. Offers must be accompanied, on penalty of cancellation of the offer, by a letter of guarantee from a bank legally operating in Greece, to the amount of **fifty million drachmas (GDR 50,000,000)** as per specimen contained in the Offering Memorandum, valid until its return to the guarantor bank and guaranteeing both the substance of the offer submitted and any improvements made to it.
5. The offers will be opened by the notary in her office at 14:00 hours on **Tuesday, 5th May, 1998.** Interested parties who have submitted binding offers within the time limit are entitled to attend the opening of the offers.
6. Offers must specifically state the offered amount, the time and place of payment and in the event of part payment on credit, whether this will bear interest or not, the interest rate as well as the safeguards for final settlement.
7. Essential criteria for evaluating the offers are: a) the size of the amount offered, b) the guarantees provided for settlement of any balance on credit and the fulfilment of other terms, c) the reliability and credit worthiness of the interested party.
8. For all the above points as well as for the remaining terms to be agreed upon, the buyer must accept penalty clauses, additionally covered by property or other securities, which will guarantee compliance with the terms agreed upon.
9. The elements which make up the company's assets shall be sold "as is and where is" and, more specifically, in their actual and legal condition and at the place where they are situated on the day of signature of the sale contract. The liquidator and the creditors are not responsible for legal or actual defects or deficiencies of any kind of the assets for sale, nor for any incomplete or inaccurate description of them in the Offering Memorandum. Interested parties should, with their own means and diligence and at their own expense, look into and form their own assessment of the objects for sale. The submission of an offer implies that the interested party is fully aware of the legal and actual state of the objects for sale.
10. In the event that part payment is on credit, the present value will be taken into account in evaluating the offer, which will be calculated on the basis of the interest rate in force, at the time of submission of the offer, for Greek Government bonds of one year's duration.
11. In the event that the person to whom the assets of the company under liquidation are adjudicated fails in his obligation to appear at the time and place specified in the liquidator's invitation, in order to sign the relative contract in accordance with the terms of the present Announcement and of his offer, as finally composed, then the guarantee, as above, is forfeited in favour of the liquidator and the creditors in order to cover all expenses of any kind, time spent and real or paper losses sustained, with no obligation to provide proof of such, and consider the amount as a penalty clause and collect it from the guarantor bank.
12. The liquidator bears no responsibility towards participants in the auction, both with regard to the report assessing the offers or to his proposal of the highest bidder. Also, he is not liable and has no obligation to the participants in the auction in the event that the auction is cancelled or declared null and void if its result is deemed unsatisfactory.
13. Those parties taking part in the auction and submitting offers do not acquire any right, claim or demand from the present Announcement and from their participation in the auction, against the liquidator or the creditors for any cause or reason.
14. According to para. 13 of article 46a of Law 1892/1990 the sale contract and the necessary transfers accruing from it and any other relative transaction are exempted taxes, dues or state or third party rights or stamp duties, while the rights and fees of notaries, lawyers, supervisors and mortgagors are restricted to 30%. Any expenses incurred in the sale of the assets (VAT, the fees of lawyers, notaries and mortgagors, judiciary supervisors, etc.) rights and other expenses are to be borne by the buyer.

The present was drafted in Greek and translated into English. However, in the event of differences occurring in translation, the Greek text will prevail.

In order to obtain the Offering Memorandum and for any additional information, please apply to the offices of the liquidator 1 Eratosthenous & Vass. Constantinou Sts. Athens, Tel. (301) 7260210, 7260506 and Fax (301) 7260664.

UNITED NATIONS NATIONS UNIES

SALE OF PROPERTY

The United Nations has for sale an aircraft de-icing truck, make "SCANIA", manufactured in 1994. This vehicle is a part of surplus equipment of the former United Nations Transitional Administration in Eastern Slavonia, Baranja and Western Sirmium (UNTAES). The vehicle is available for viewing at the former UNTAES Logistics base in Klisa, Croatia.

All interested parties are invited to submit their bids in writing or by fax no later than 15:00 hours Central European Time (CET) on 22 April 1998 at United Nations Civilian Police Support Group P.O. Box 187, 31000 Osijek, Croatia FAX No.: 385-31-135-6452 Attention: Mr Florent Coutu

Water Industry Act 1991 Sections 7 & 8
Application for Variations of Instrument of Appointment Water and Sewerage Services: Tidworth Garrison, Wiltshire

On 6 April 1998, Thames Water Utilities Limited (TWUL) of Gainsborough House, Manor Farm Road, Reading, Berkshire RG2 0JN made applications pursuant to Sections 7 and 8 of the Act to the Director General of Water Services for such Licence Variations as might be necessary to enable TWUL to become the water and sewerage undertaker in respect of Tidworth Garrison, Wiltshire.

The area defined in the Application is shown edged blue on a plan which has been lodged with the Office of Water Services. It excludes certain areas edged red and marked "W" where Wessex Water Services Limited currently supply water and sewerage services. The application is made in the circumstances referred to in Section 7(4)(b) of the Act, where none of the premises within the Defined Area is served by an existing Appointed Undertaker.

This Application is supported by the MoD, who currently operate water and sewerage services within the Garrison and surrounding area. It follows a publicly advertised call for competition, as a result of which a Contract for provision of the services has been awarded to TWUL.

Further details of the Application may be obtained from Mr L E Williams at Thames Water Utilities Limited.

J K BOUDIER
Regulation Director
Thames Water Utilities Limited

INVITATION FOR EXPRESSIONS OF INTEREST

SILVERDALE COLLIERY

Silverdale Mine Limited has served Notice of their intention to surrender their Section 36(2) licence which was assigned to the Company by the Coal Authority in 1996. The surrender of the licence will take place no later than the end of 1998.

The Authority hereby advertise for expressions of interest in the mine. Firm expressions of interest from prospective operators must be received within 7 days (ie by 21 April 1998). This date will not be extended, nor will any further advertisement appear. Any expression of interest will need to identify the nature of the proposal, company structure, together with the availability of expertise and financial resources.

Expressions of interest must be delivered to:-

Licensing Department
The Coal Authority
Bretby Business Park
Ashby Road
Burton on Trent
Staffs DE15 0QD

Fax No:- 01283 553250

SHELL U.K. LIMITED

PUBLIC NOTICE

Shell UK have submitted a Decommissioning Programme for the Brent Spar oil storage and tanker loading facility to the Department of Trade and Industry for approval in accordance with the provisions of the Petroleum Act (1987).

It is a requirement of the Act that interest parties be consulted on decommissioning proposals. Shell UK hereby gives notice that the Brent Spar Decommissioning Programme can be viewed at the Internet address:

HTTP://WWW.SHELLEXPRO.BRENTSPAR.COM

Alternatively a hard copy of the Programme can be inspected by appointment at the following locations during office hours:

Brent Spar Project Office
Shell UK Exploration and Production
Seafield House, Hill of Rubislaw, Anderson Drive, Aberdeen AB15 6BL
Contact: Lindsey McKay on 01224 818152

Shell UK Exploration and Production
Shell Mex House
Strand, London WC2R 0DX
Contact: Cynthia Harris on 0171 257 4669

Brent Spar Project Office
Wood-GMC, c/o Global Maritime AS
Lagerveien 12C, PO Box 3434, 4033 Forus, Near Stavanger, Norway
Contact: Brigitte Skævelano on (+47) 51 81 67 77

Representations regarding the Decommissioning Programme should be submitted in writing to *Shell UK's* offices at Seafield House in Aberdeen by 8th May 1998.

BUSINESSES WANTED

VALVE COMPANIES

UK Company is interested in acquiring Valve companies in niche markets (UK or Europe) or valve related product lines in the following industries:

- Petrochemical - On Shore - Off Shore
- Cryogenic
- Defence
- Pharmaceutical
- Food & Beverages

Please reply in strictest confidence to:
Box B5907, Financial Times, One Southwark Bridge, London SE1 9HL

TAX ADMINISTRATION REFORM CONSULTANTS

CENTRAL BOARD OF REVENUE (CBR) GOVERNMENT OF PAKISTAN

The Central Board of Revenue is seeking (under a proposed World Bank/PHRD funded project) Expressions of Interest by April 26, 1998, from Consulting Firms with cross country experience (specially developing countries) in advising Government/Tax Authorities on Tax Administration Reforms for enhanced revenue collection, efficiency and facilitation through ***Re-engineering of Processes*** and ***complimentary IT support***. Interested firms: (i) must provide information indicating that they are qualified to perform the Services (brochures, description of similar assignments, experience in similar conditions, availability of appropriate skills among staff), and (ii) obtain further information from:

Mr Riaz A. Malik, Secretary, Restructuring Committee.
Central Board of Revenue, Islamabad, Pakistan
Tel: 92-51-9207472 Fax: 92-51-9205308

APPOINTMENTS

RESEARCH ANALYST

This leading international investment company requires a Research Analyst to specialise in Middle Eastern and Eastern European equities. The position requires previous experience gained with a financial institution in Eastern Europe or the Middle East, a historical, political and economic knowledge of these regions as well as substantial experience gained with a leading U.S. financial house. Applicants educated to Masters degree level with specialisation in relevant disciplines and 4-5 years' minimum overall work experience in research, covering Eastern European and Middle Eastern emerging markets, must also be fluent in Turkish and a European language in addition to English and possess excellent computer programming and spreadsheet skills. Salary negotiable.

Please write, enclosing full curriculum vitae, to Box A6119, Financial Times, One Southwark Bridge, London SE1 9HL.

CURRENCIES & MONEY

Battle over yen

By Simon Kuper

This week could see policymakers and investors fight a battle for the yen.

In Washington tomorrow the Group of Seven industrialised nations may seek to boost the Japanese currency.

Last week Japan and the US appeared united in support of that policy. Late in the week the Bank of Japan intervened to support its currency and Robert Rubin, US treasury secretary and usually the apostle of a strong dollar, said he backed the move.

The currency jumped more than Y3 against the dollar on the intervention and his comments, but still went into Easter at around Y130, near the bottom of its range of the last three years. The Treasury was at pains to point out that there had been no change to its policy.

The G7 appears to think that a stronger yen is good for the world. The rest of Asia may already be sinking into recession, and if the yen falls Japan is likely to buy fewer Asian exports. Worse yet, a slide in the yen could prompt China to devalue the yuan, setting off a new wave of Asian devaluations, says Paul Meggyesi, senior currency economist at Deutsche Morgan Grenfell.

In addition, US trade is becoming an issue again. The Asian economic crisis could raise the American current account deficit by $40bn over this year and next, the Organisation for Economic Co-operation and Development said last week. With recent signs that US domestic demand may be slowing, Mr Rubin may want to help American exporters. Many market economists therefore expect the G7 meeting to end with a statement of support for the yen.

However, such a statement would fly in the face of economics. The US economy is still robust; Japan's may be on the edge of recession. The fundamentals cry out for a weaker yen, but Tokyo and Washington have shown that together they can overcome economic data.

POUND SPOT FORWARD AGAINST THE POUND

Apr 13		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	21.4103	-0.0031	006 - 199	21.4779	21.4006	21.3409	3.9	21.2056	3.8	20.8862	3.3	102.5
Belgium	(BFr)	62.7588	-0.0266	393 - 183	62.9480	62.6983	62.5611	3.8	62.1754	3.7	60.6941	3.3	[illegible]
Denmark	(DKr)	11.6035	-0.0019	001 - 069	11.6426	11.6001	11.5692	3.6	11.5014	3.5	11.2815	3.0	103.8
Finland	(FM)	9.2377	-0.0018	321 - 432	9.2670	9.2321	9.2083	3.8	9.151	3.8	8.9299	3.3	80.0
France	(FFr)	10.1986	-0.0025	954 - 018	10.2357	[illegible]	10.1656	3.9	10.1018	3.8	9.8605	3.3	105.0
Germany	(DM)	3.0431	-0.0004	418 - 443	3.0539	3.0410	3.0333	3.8	3.0143	3.6	2.9425	3.3	102.8
Greece	(Dr)	530.705	[illegible]	[illegible]	533.014	529.649	532.645	-4.4	536.244	-4.2	549.343	-3.5	59.1
Ireland	(I£)	1.2076	+0.0002	065 - 086	1.2108	1.2065	1.2066	1.0	1.2036	1.3	[illegible]	2.2	92.5
Italy	(L)	3006.32	-0.66	420 - 844	3013.55	3004.20	3001.61	1.9	2989.7	2.2	2925.44	2.7	75.1
Luxembourg	(LFr)	62.7588	[illegible]	[illegible]	62.9480	62.6983	62.5611	3.8	62.1754	3.7	60.6941	3.3	101.5
Netherlands	(Fl)	3.4284	-0.0015	250 - 277	3.4384	3.4250	3.4152	3.9	3.3935	3.8	3.3119	3.3	101.0
Norway	(NKr)	12.6166	[illegible]	[illegible]	12.6571	12.6056	12.58	3.5	12.511	3.3	12.2594	2.8	[illegible]
Portugal	(Es)	311.983	+0.434	769 - 197	312.785	311.768	311.245	2.8	309.627	3.0	302.389	3.1	91.1
Spain	(Pta)	258.100	-0.058	810 - 389	258.190	257.810	257.495	2.8	256.209	2.9	250.433	3.0	76.3
Sweden	(SKr)	13.1217	-0.0303	155 - 278	13.1983	13.1155	13.0899	2.9	13.0294	2.8	12.7951	2.5	86.0
Switzerland	(SFr)	2.6258	-0.0037	244 - 268	2.5320	2.5243	2.5129	6.0	2.4982	5.9	2.3911	5.3	105.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	107.3
Ecu	-	1.5338	-0.0014	[illegible] - 347	1.5378	1.5329	1.5297	3.2	[illegible]	[illegible]	1.4377	3.0	-
SDR†	-	1.2[illegible]	-	-	-	-		-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6691	-0.0042	688 - 693	1.6724	1.6648	-	-	-	-	-	-	-
Brazil	(R$)	1.9016	-0.0058	012 - 019	1.9063	1.8982	-	-	-	-	-	-	-
Canada	(C$)	2.3846	-0.0032	838 - 854	2.3864	2.3767	2.3793	2.6	2.3692	2.6	2.3303	2.3	82.8
Mexico	(New Peso)	14.2062	-0.0355	999 - [illegible]	14.2125	14.1704	14.3573	-12.8	14.6701	-13.1	15.9999	-12.6	-
USA	($)	1.6693	-0.0052	690 - 695	1.6737	1.6680	1.6668	1.8	1.6619	1.8	1.6433	1.6	109.3
Pacific/Middle East/Africa													
Australia	(A$)	2.5475	-0.001	461 - 489	2.5621	2.5416	2.5422	2.5	[illegible]	2.5	2.4957	2.4	86.2
Hong Kong	(HK$)	12.9342	-0.0424	306 - 378	12.9687	12.9167	12.9158	1.7	12.8969	1.2	13.0291	-0.7	-
India	(Rs)	66.1232	-0.1536	924 - 539	66.2130	66.0430	-	-	-	-	-	-	-
Israel	(Shk)	6.2690	+0.0949	603 - 777	6.3013	6.1546	-	-	-	-	-	-	-
Japan	(Y)	218.065	-1.7[illegible]	[illegible] - 200	218.950	213.610	214.845	6.9	212.35	6.6	201.955	6.5	118.4
Malaysia	(M$)	6.1012	+0.0395	752 - 271	6.2791	6.0362	6.1259	-5.1	6.1653	-4.2	6.3119	-3.5	-
New Zealand	(NZ$)	3.0221	+0.0014	197 - 245	3.0245	3.0128	3.0274	-2.1	3.037	-2.0	3.0636	-1.4	97.6
Philippines	(Peso)	63.2229	+0.0105	882 - 575	63.3575	63.0882	63.7361	-9.7	64.8282	-10.2	69.7238	-10.3	-
Saudi Arabia	(SR)	6.2606	-0.0198	594 - 618	6.2757	6.2487	6.2545	1.2	6.2425	1.2	6.1955	1.0	-
Singapore	(S$)	2.6541	-0.0105	504 - 578	2.7090	2.6484	2.6535	0.3	2.648	0.6	2.6333	0.8	-
South Africa	(R)	8.4105	[illegible]	051 - 159	8.4271	8.3965	8.453	-6.1	8.5325	-5.8	8.8501	-5.2	-
South Korea	(Won)	2342.79	[illegible]	[illegible]	2350.39	[illegible]	-	-	-	-	-	-	-
Taiwan	(T$)	55.0811	-0.1054	687 - 935	55.1350	54.9480	55.0826	0.0	[illegible]	0.0	55.0221	0.1	-
Thailand	(Bt)	68.5197	-0.0418	593 - 800	67.8080	65.7740	67.048	-9.5	68.1011	-9.5	71.8958	-8.2	-

† Rates for Apr 9. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. The exchange rates printed in this table are also available on the Internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

[illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 13		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.49	16.25	4.849	1.924	4790	5.459	20.10	497.1	411.3	20.91	4.024	1.593	3.800	2.660	344.3	2.444
Denmark	(DKr)	54.09	10	8.789	2.623	1.041	2591	2.953	10.87	268.9	222.4	11.31	2.177	0.862	2.055	[illegible]	188.2	1.322
France	(FFr)	[illegible]	11.38	10	2.984	1.184	2948	3.360	12.37	305.9	253.1	[illegible]	2.476	0.981	2.338	[illegible]	211.9	[illegible]
Germany	(DM)	20.62	[illegible]	[illegible]	1	0.397	987.9	1.126	4.146	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	(I£)	[illegible]	9.609	8.445	2.520	1	2490	2.837	10.4[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	(L)	2.088	0.386	0.339	[illegible]	0.040	100	0.114	0.420	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

WORLD INTEREST RATES

MONEY RATES

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

POUND IN NEW YORK

[illegible]

OTHER CURRENCIES

[illegible]

BENCHMARK GOVERNMENT BONDS

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

BASE LENDING RATES

[illegible]

UK GILTS PRICES

[illegible]

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times.

OFFSHORE AND OVERSEAS

BERMUDA
(FSA RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

Jupiter Asset Management (Bermuda) Ltd

Newport Investment Management

Orion Fund Limited

BERMUDA
(REGULATED)(**)

Bermuda Intl Invest Mgmt Ltd

Butterfield Management Co Ltd

Credit Lyonnais Rouse (Bermuda) Ltd

Frontington Investment Mgmt (Bermuda) Ltd

Integral Bond Arbitrage Fund Limited

Integral Management International Ltd

McKinley Offshore Management Ltd

Orbis Investment Management Ltd

Philo Smith & Co

Starvest Investment Funds

GUERNSEY
(FSA RECOGNISED)

Dresdner RCM Global Investors (Guernsey) Ltd

Lazard Fund Managers (C.I.) Ltd

Lloyds Intl Investment Managers Ltd

M & G (Guernsey) Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 264, St Peter Port, Guernsey 01481 710851

GUERNSEY
(REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Absolute Alpha Inv Mgmt (Guernsey) Ltd

Apollo Investment Management Ltd

IRELAND
(FSA RECOGNISED)

AIB Fund Management Ltd

BT Fund Managers (Ireland) Ltd

Bank of Cyprus Group

IRELAND
(REGULATED)(**)

ISLE OF MAN
(FSA RECOGNISED)

ISLE OF MAN
(REGULATED)(**)

JERSEY
(FSA RECOGNISED)

JERSEY
(REGULATED)(**)

LUXEMBOURG
(FSA RECOGNISED)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

هكذا من الاصل

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

Old Mutual International (Ireland) Ltd

Alpha Fund Management Ltd

Old Mutual International (Isle of Man) Ltd

The Americas Trust Bank

Apax Bank & Trust Company

Aravis Capital Advisors LLC

Arc Investment Company Ltd

Ardent Investment Management Limited

OTHER OFFSHORE FUNDS

WORLD STOCK MARKETS

Highs & Lows shown on a 52 week basis

EUROPE

PACIFIC

AFRICA

AMERICAS

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY APRIL 10 1998 US Dollar Index	%chg since 31/12/97	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/97	Gross Div. Yield	THURSDAY APRIL 9 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (73)	215.20	7.5	190.54	176.94	203.35	217.65	6.6	3.57	215.20	190.54	176.94	203.35	217.85	243.87	190.26	217.88
Austria (23)	222.30	17.6	196.83	182.78	210.06	209.92	18.9	1.56	222.30	196.83	182.78	210.06	209.92	225.16	175.14	177.86
Belgium (26)	320.83	26.1	284.06	263.79	303.17	296.66	27.6	2.41	320.83	284.06	263.79	303.17	296.66	320.83	227.73	230.47
Brazil (30)	264.13	10.6	233.86	217.17	249.59	553.81	13.1	1.88	264.13	233.86	217.17	249.59	553.81	322.44	184.94	245.65
Canada (120)	243.21	14.5	215.34	199.98	229.82	251.14	14.1	1.60	243.21	215.34	199.98	229.82	251.14	247.29	178.27	182.38
Denmark (34)	516.50	15.4	457.30	424.67	488.06	486.86	16.8	1.24	516.50	457.30	424.67	488.06	486.86	517.84	348.27	355.88
Finland (28)	390.98	40.4	346.18	321.47	369.46	452.76	42.2	1.55	390.98	346.18	321.47	369.46	452.76	392.61	243.25	252.24
France (79)	302.58	26.4	267.91	248.79	285.92	289.15	28.0	2.02	302.58	267.91	248.79	285.92	289.15	304.02	209.81	216.79
Germany (58)	284.65	24.1	252.03	234.04	268.98	268.98	25.4	1.22	284.65	252.03	234.04	268.98	268.98	284.65	193.39	197.73
Hong Kong, China (65)	341.67	-4.3	302.51	280.93	322.86	339.94	-4.3	4.64	341.67	302.51	280.93	322.86	339.94	580.03	282.83	448.40
Indonesia (27)	60.43	[illegible]	53.51	49.69	57.11	300.30	34.8	2.24	60.43	53.51	49.69	57.11	300.30	254.90	27.87	224.39
Ireland (16)	517.05	28.8	457.80	425.13	488.59	525.39	32.3	1.05	517.05	457.80	425.13	488.59	525.39	525.09	322.44	327.79
Italy (54)	168.41	43.1	149.11	138.47	159.14	225.85	45.4	1.10	165.82	146.82	136.34	156.69	222.38	177.15	85.70	86.13
Japan (480)	100.35	5.3	88.85	82.51	94.82	82.51	[illegible]	0.96	100.63	89.10	82.74	95.09	82.74	141.12	88.52	107.57
Malaysia (107)	204.80	24.6	181.33	168.39	193.52	285.52	15.8	2.42	[illegible]	182.38	169.36	[illegible]	287.18	588.67	113.56	588.67
Mexico (29)	1641.41	-9.0	1453.30	1349.60	1551.04	15263.35	-4.0	1.51	1641.41	1453.30	1349.60	1551.04	15263.35	[illegible]	1335.40	1388.03
Netherlands (19)	500.42	[illegible]	443.07	411.46	472.87	467.58	23.3	1.97	500.42	443.07	411.46	472.87	467.58	503.39	330.32	338.10
New Zealand (14)	74.52	-2.5	65.98	61.27	70.42	71.39	2.1	4.57	74.52	65.98	61.27	70.42	71.39	96.47	71.49	84.05
Norway (38)	340.21	6.5	301.22	279.73	321.48	348.17	8.9	1.80	340.21	301.22	279.73	321.48	348.17	374.84	[illegible]	287.48
Philippines (22)	100.36	26.5	88.86	82.52	94.84	188.81	19.7	1.09	100.36	88.86	82.52	94.84	188.81	180.86	57.54	178.23
Singapore (42)	225.96	[illegible]	200.07	185.79	213.52	165.70	-5.2	1.84	225.96	200.07	185.79	213.52	165.70	401.75	144.01	396.46
South Africa (43)	324.04	22.1	286.91	266.44	306.20	356.72	26.4	2.49	324.04	286.91	266.44	306.20	356.72	365.52	227.86	357.94
Spain (32)	392.54	44.4	347.55	322.75	370.93	458.46	46.1	1.61	392.54	347.55	322.75	370.93	458.46	396.89	211.35	213.25
Sweden (49)	584.76	24.6	517.75	480.80	552.57	679.93	23.3	1.72	584.76	517.75	480.80	552.57	679.93	584.76	405.00	418.95
Switzerland (31)	400.23	17.4	354.36	329.07	378.19	374.79	21.6	1.03	400.23	354.36	329.07	378.19	374.79	404.97	253.38	255.36
Thailand (39)	28.11	45.6	24.89	23.11	26.56	43.36	20.2	6.92	27.76	24.58	22.83	26.23	42.83	84.77	13.10	83.86
United Kingdom (209)	399.24	20.3	353.49	328.26	377.26	353.49	18.2	2.77	399.24	353.49	328.26	377.26	353.49	399.24	275.44	279.58
USA (637)	453.81	14.5	401.80	373.13	428.82	453.81	14.5	1.41	453.81	401.80	373.13	428.82	453.81	458.37	299.79	308.00
Americas (816)	411.34	14.2	364.20	338.21	388.69	347.36	14.3	[illegible]	411.34	364.20	338.21	388.69	347.36	415.23	274.59	282.01
Europe (696)	358.52	24.0	317.44	294.78	338.76	340.71	24.4	1.97	[illegible]	317.11	294.48	338.44	340.36	358.52	238.44	241.94
Nordic (149)	509.11	23.5	450.76	418.60	481.08	520.53	23.5	1.69	509.11	450.76	418.60	481.08	520.53	509.11	368.77	384.03
Pacific Basin (870)	110.99	4.8	98.27	91.26	104.88	92.07	4.5	1.61	111.25	98.50	91.47	105.13	92.28	158.99	95.32	127.44
Euro-Pacific (1566)	214.17	17.5	189.63	176.10	202.38	185.66	17.5	[illegible]	214.17	189.63	176.10	202.38	185.66	214.17	[illegible]	175.15
North America (757)	440.39	14.5	389.92	362.10	416.14	440.16	14.5	1.41	440.39	389.92	362.10	416.14	440.16	444.77	292.34	300.29
Europe Ex. UK (487)	327.39	26.1	289.87	269.19	309.37	324.16	27.9	1.54	326.88	289.42	268.76	308.88	323.65	328.49	213.38	216.47
Pacific Ex. Japan (390)	206.73	[illegible]	183.04	169.98	195.35	205.49	1.5	3.76	206.83	183.13	170.06	195.45	205.58	318.88	161.31	282.77
World Ex. US (1788)	218.02	17.0	193.04	179.26	206.02	193.02	17.1	1.65	218.02	193.04	179.26	206.02	193.02	218.02	176.30	178.73
World Ex. UK (2216)	284.04	15.2	251.49	233.54	268.40	259.70	15.5	[illegible]	284.04	251.49	233.54	268.40	259.69	284.04	211.16	214.22
World Ex. Japan (1945)	390.06	17.1	345.37	320.73	368.60	383.77	17.2	1.70	389.94	345.25	320.62	368.47	383.64	[illegible]	271.90	276.90
The World Index (2425)	293.76	15.7	260.09	241.53	277.59	268.15	15.8	1.63	293.76	260.09	241.53	277.59	268.15	293.76	216.61	219.75

Emerging markets: IFC investable indices

Dow slips in spite of new bank mergers

AMERICAS

In spite of a rally in financial stocks fuelled by news of two huge new banking mergers, most sectors on Wall Street fell back, *writes John Labate in New York*.

The Dow Jones Industrial Average was down 43.09 to 8,951.77 by early afternoon, while the broader Standard & Poor's 500 had lost 7.59 to 1,103.08.

The financial sector gained ground on the news that BankAmerica and NationsBank had agreed to merge. BankAmerica rose $3⅞ to $89⅞ while NationsBank climbed $4 to $80⅞.

In addition, two mid-western banks, Bank One and First Chicago, also announced a merger. Bank One gained $1 to $62¾ and First Chicago $4⅞ to $98¾.

"Any financial stock that is perceived to be a takeover target is up," said Dan Mathisson, head stock trader at D.E. Shaw Securities in New York.

Brokerage stocks, meanwhile, were higher on consolidation rumours and on a spate of strong earnings announcements.

Merrill Lynch surged $3⅞ to $98¾ after it beat estimates with an 11 per cent rise in first-quarter earnings. Donaldson, Lufkin & Jenrette traded $5¼ or 5.8 per cent higher to $99¾ after it also topped analyst expectations of earnings. PaineWebber gained $2¾ to $46¾ after reporting record first-quarter results.

In the Dow, J.P. Morgan surged $5⅛ to $145¾. But putting downward pressure on the blue-chip index, Travelers Group plunged $2¾ to $65 and Boeing $1⅞ to $53¼.

Weakness was widespread in the technology sector. The Nasdaq composite index lost 6.15 to 1,814.09. Investors pulled out of computer-related shares, sending the Pacific stock exchange's technology index down 2.62 to 388.31.

Internet stocks drifted lower on profit-taking. The sector had posted sharp rises last week after Yahoo beat earnings estimates. Yahoo fell $3⅞ to $110⅛ while Infoseek lost $¾ to $21¼. Online bookseller Amazon.com also cooled, down $2¼ to $93.

Software leader Microsoft fell $1½ to $87½ while Dell Computer lost $⅞ to $66¾.

TORONTO was buoyed by firm gold prices and the US bank merger announcements. The TSE index rose 21.16 to 7,641.8.

MEXICO CITY was dragged down by Wall Street, reversing earlier gains. The IPC index was off 19.23 to 4,901.92.

Treasuries edge lower

GOVERNMENT BONDS

US Treasuries moved lower by early afternoon and the 30-year bond, the benchmark for long-term interest rates, fell ⅜ to 102¾, yielding 5.935 per cent, *writes John Labate*.

Among shorter-term issues, the 10-year note lost ½ to 98⅞, yielding 5.658 per cent. The two-year note was down ⅛ to 99⅞, yielding 5.584 per cent.

Morning prices moved lower after some bearish comments by a Federal Reserve governor at the weekend, and as the dollar dropped back against other currencies.

The Federal Reserve stepped in to sell bills in the morning session, and market participants believe it was acting on behalf of the Bank of Japan.

"The icing on the cake was the Fed selling $12bn in bills for customers," said Tom O'Connell, government securities trader at First Chicago Capital Markets.

No fresh economic reports were issued yesterday, but new figures on the consumer price index and retail sales will be reported today.

Bull run threatens to turn bourses into bubble

Emiko Terazono asks whether European stock markets can keep absorbing new inflows of cash

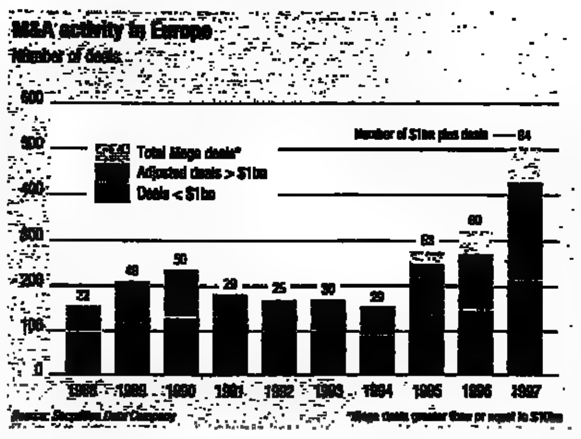
Are European stock markets a bubble getting ready to burst? The first quarter saw many bourses hit records, with markets like Spain and Italy rising over 40 per cent since the start of the year, and even Germany and France posting gains of over 20 per cent, all outperforming the US.

But while international bodies like the Organisation for Economic Co-operation and Development and some analysts are warning of overheating and asset inflation, fresh money still seems to be coming in.

Last week, the OECD warned that so-called peripheral countries, including Finland, the Netherlands, Ireland, Portugal and Spain, were at risk of economic overheating – a rise in asset prices pushing up wages and the cost of exports. Without the monetary powers to change interest rates or devalue the currency, the countries could be pushed into a deflationary recession.

The main factor has been the lowering of interest rates as countries attempt to achieve the convergence of short-term interest rates required for membership of European economic and monetary union (Emu). That has led to a fall in bond yields in countries which have traditionally been inflationary.

This has increased demand for equities from retail investors in Europe, who have usually put their savings into bonds. Italian investors almost doubled their new investments in stock-based mutual funds last month to a record L12,325bn ($7bn). In Spain, investment funds rose Pta1,470bn ($9.6bn) in March to a total of Pta30,560bn, up 43 per cent on the year, according to Inverco, Spain's association of investment and pension funds.



US fund managers also remain bullish over Europe, according to Broadgate Consultants, which surveyed US institutional investors. Some 90 per cent of managers said they expected to substantially increase or maintain European equity holdings in the next 12 months with Italian, Spanish and French stocks leading the list.

The bull run in Europe has also been supported by corporate restructuring and anticipation of a wave of mergers and acquisitions. As the currency borders prepare to disappear, there are signs of a rise in merger activity among corporations looking for opportunities in traditionally protected sectors.

Expectations of consolidation in industries across Europe is the main reason many fund managers and securities companies are focusing on sector-based rather than country-based analysis.

Peter Sullivan, analyst at Goldman Sachs in London points out that European stocks in sectors have shown increasing correlation over the past five years and is likely to become an efficient asset class after Emu.

The bears argue that the convergence of rates is a one-off phenomenon, as is the structural shift in funds from bonds into equities among European investors. And if the economies of Germany and France improve, the rise in interest rates will probably squeeze the flow of cash into the markets.

Julian Callow, economist at Dresdner Kleinwort Benson, says substantial price differentials exist across core and peripheral EU countries. They are bound to narrow under a single currency with price arbitrage – hence interest rates may remain low if prices begin to converge as a result of Emu.

"Emu will be highly disinflationary for high-cost, high-price economies such as Germany, forcing the European Central Bank into an easy monetary policy."

James Montier, strategist at NatWest Markets, says that while the bubble will probably burst, there is still room for a further rally before it happens. Most analysts are reluctant to predict a European downturn – barring a decline on Wall Street – before Emu in 1999.

"Financial busts under Emu will differ from their Asian cousins in one very important respect – they will not result in foreign exchange crises. A bust in the Spanish banking system is unlikely to lead to an outright attack on the euro."

Taipei drops below 9,000 on electronics sell-off

ASIA PACIFIC

A sell-off in electronics stocks dragged TAIPEI down over 2 per cent yesterday. The weighted index lost 190.91, closing below the psychological barrier of 9,000, at 8,863.11.

The electronics sector was among the leading losers, falling 4.5 per cent as investors were unnerved by weak monthly sales figures at leading electronics makers. Concerns over their annual earnings figures also weighed on sentiment.

Taiwan Semiconductor Manufacturing, the microchip maker, fell T$6 or 3.9 per cent to T$147, while United Microelectronics lost T$4 to T$69.50. Nan Ya Plastics, which suffered a fire at one of its plants at the weekend, declined T$3 to T$55.

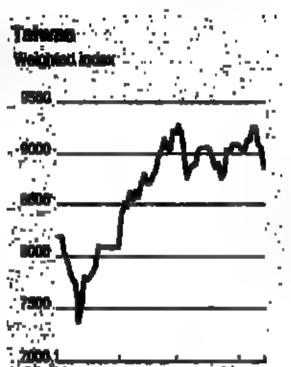
TOKYO slipped in a thin day of trade, *writes Gillian Tett*. The Nikkei 225 fell 1 per cent to close at 16,317.68, after moving between 16,277.07 and 16,400.9.

The broader based Topix index, covering the first section, fell 0.7 per cent to close at 1,242.91. The Nikkei 300 fell 0.7 per cent to 246.09. Trading volume was light, with 178m issues traded on the first section compared with Friday's 333m.

The lacklustre activity partly reflected the Easter holidays. However, the G7 meeting tomorrow also left traders reluctant to take strong positions, amid speculation that the meeting could yield a new stance on the yen and dollar.

In addition, Japan's public pension funds are expected to allocate funds this week. This could have a significant impact and is adding to traders' unease about assuming strong positions.

The Tokyo exchange introduced a new trading system yesterday, which also hindered trading as dealers had yet to familiarise themselves with it. The new system quotes prices for some stocks in smaller increments and is intended to make it easier for investors to spot price movements and identify risks. Some dealers fear it will also make it harder for them to make quick profits and warn it could take several days for the market to get used to the system.



Declining issues outnumbered gainers 691 to 363, with 172 issues unchanged. The losers were led by communications, transport equipment and warehouses, and gainers by land transport and commerce.

SEOUL closed up thanks to late buying of brokerage shares. The Kospi index rose 4.26 to 494.89 led by a 9.8 per cent jump in the securities company sub-index.

Overseas investors led the buying, while individual investors were net sellers.

Hopes that falling interest rates would help increase trading volume on the stock exchange prompted buying of brokerage shares which until recently have been out of favour. Boram Securities rose Won240 to Won2,240, LG Securities Won610 to Won5,700, and Daewoo Securities Won330 to Won 9,170.

Blue-chip industrials, however, lost ground on profit-taking. Samsum Electronics fell Won900 to Won79,600 while Pohang Iron and Steel lost Won600 to Won66,300.

MANILA gained ground in low volumes as foreign players stayed away. The benchmark ended up 16.99 or 0.8 per cent at 2,210.76 led by Manila Electric and telecommunication shares.

Turnover was among the lowest for the year, totalling 670m pesos, only slightly higher than the 640m which changed hands on January 2.

Power distributor Manila Electric's B shares were the most actively traded, closing up 5 pesos to 12 pesos. Telecom shares were higher on reports of a possible merger between three telecom companies. Philippine Telephone & Telegraph rose 31 centavos or 41 per cent to 1.06 pesos and Globe Telecom 15 centavos to 4.95 pesos.

KUALA LUMPUR fell amid heightening uncertainty over the financial health of companies. The composite index lost 6.31 or 0.9 per cent to 666.98.

Telekom lost 20 cents to M$11.60 as investors hard-pressed for cash sold off their holdings. Tenaga, the electric utility, slipped 10 cents to M$8.40.

Kelanamas, the holding company which operates businesses including sugar manufacturing and construction engineering, lost 8 cents to M$60.50. Investors were discouraged by the downgrade by Moody's of its bank guaranteed bonds.

SINGAPORE drifted lower on late selling. Investors remained concerned over the health of Malaysian corporations while the latest agreement between Jakarta and the IMF over Indonesian reforms provided some support. The Straits Times Industrial index fell 7.14 or 0.5 per cent at 1,586.91.

The stronger rupiah depressed JAKARTA with the composite index down 3.52 or 0.7 per cent to 524.06.

The currency's rise opened arbitrage opportunities for Telkom and Indosat, which account for over 22 per cent of the total market capitalisation, and are also listed in London and New York. Telkom fell Rp50 to Rp3,850 and Indosat Rp500 to Rp12,325.

Some shares gained on the government's reform agreement with the IMF. Financials were higher on reports of a minimum capital requirement of Rp250bn for banks while plantations were beneficiaries of the lifting of an export ban on palm oil. London Sumatra, the plantation company, was the most active issue, ending up Rp275 at Rp2,500.

US COMMODITY PRICES

COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open Int
Apr	82.00	+1.20	82.05	80.70	687	869
May	82.15	+1.10	82.30	80.85	12,684	23,422
Jun	82.35	+1.10	82.30	81.40	155	2,517
[illegible]						

PRECIOUS METALS

[illegible]

ENERGY

CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open Int
May	15.45	-0.11	15.66	15.35	46,868	86,795
Jun	15.79	-0.11	16.00	15.70	30,791	96,510
[illegible]						

GRAINS AND OIL SEEDS

WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open Int
May	300.50	+2.00	300.00	297.00	16,133	37,004
Jul	311.25	+1.50	312.25	307.50	16,322	54,060
[illegible]						

SOFTS

COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open Int
May	1570	-37	1605	1566	4,905	14,568
[illegible]						

Softs continued

ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open Int
May	96.35	+2.25	97.50	94.60	3,742	13,192
Jul	99.60	+2.25	101.00	98.00	1,106	8,746
Sep	102.60	+2.20	103.00	101.30	390	4,927
Nov	105.00	+2.20	105.20	103.80	21	3,494
[illegible]						

MEAT AND LIVESTOCK

[illegible]

FUTURES DATA
All futures data supplied by CMS.

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

4 pm close April 13

NEW YORK STOCK EXCHANGE PRICES

1998 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]										

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
¶ Dealings suspended.

♣ FT Free Annual Reports Service
You can obtain the current annual reports and if available quarterly reports of any companies on the US exchanges with a ♣ symbol. To order reports ring (International Access) 1-804-32 0-6057 or give the names of the companies whose reports you want and fax your request to (International Access) 1-804-320-8135. Reports will be sent the next working day, subject to availability. You can also order online at http://www.icbinc.com/cgi-bin/ft.

هكذا من الأصل

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Apr 9	Apr 8	Apr 7	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	8994.86	8891.48	8956.50	9033.23 (6/4)	7580.42 (9/1)	9033.23 (6/4/98)	41.22 (8/7/32)
Home Bonds	105.42	105.35	105.29	105.46 (15/1)	104.92 (28/1)	105.48 (15/1/98)	54.99 (1/10/81)
Transport	3537.19	3508.57	3535.15	3639.26 (3/4)	3194.36 (9/1)	3639.26 (3/4/98)	13.23 (8/7/32)
Utilities	287.37	285.82	288.25	291.18 (2/4)	262.66 (9/1)	291.18 (2/4/98)	16.53 (8/7/32)

DJ Ind. Day's high 9062.12 (9023.61) Low 8891.48 (8821.79) (Theoretical) Day's high 9014.30 (8968.98) Low 8900.74 (8881.84) (Actual)

Standard and Poors	Apr 9	Apr 8	Apr 7	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1110.87	1101.65	1108.55	1122.70 (3/4)	927.69 (9/1)	1122.70 (3/4/98)	4.40 (1/6/32)
Industrials♥	1283.90	1275.24	1282.97	1306.33 (3/4)	1077.40 (9/1)	1306.33 (3/4/98)	3.62 (30/6/32)
Financial♥	138.63	136.63	138.16	140.42 (6/4)	110.65 (9/1)	140.42 (6/4/98)	7.13 (4/9/74)
Others							
NYSE Comp.	578.35	573.68	577.75	583.17 (6/4)	487.47 (9/1)	583.17 (6/4/98)	4.64 (25/4/42)
Amex Comp	740.61	737.50	735.66	747.19 (3/4)	646.41 (12/1)	747.19 (3/4/98)	524.20 (16/7/96)
NASDAQ Cmp	1820.24	1807.01	1798.71	1855.40 (3/4)	1503.22 (9/1)	1855.40 (3/4/98)	54.87 (3/10/74)
Russell 2000	480.04	475.39	475.15	486.43 (2/4)	410.89 (12/1)	486.43 (2/4/98)	123.36 (7/12/83)

RATIOS

	Apr 3	Mar 27	Mar 20	Year ago
Dow Jones Ind. Div. Yield	1.56	1.59	1.57	1.97

	Apr 8	Apr 1	Mar 25	Year ago
S & P Ind. Div. yield	1.33	1.31	1.32	1.63
S & P Ind. P/E ratio	30.27	30.64	30.37	21.72

US DATA

MARKET ACTIVITY

Volume (million)	Apr 9	Apr 8	Apr 7
NYSE	548.940	616.330	670.780
Amex	25.587	28.235	30.762
NASDAQ	763.700	727.332	789.058

NYSE	Apr 9	Apr 8	Apr 7
Issues Traded	3,483	3,500	3,481
Rises	1,830	1,279	880
Falls	1,070	1,695	2,108
Unchanged	583	526	493
New Highs	183	85	118
New Lows	24	25	31

NYSE TRADING ACTIVITY Volume : 548,940,000

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Cendant	13,086,800	37	-2
PhMorr	12,723,100	40½	+¾
Ford	5,849,000	45¾	+2¼
Conseco	4,861,800	50⅛	+⅛
LucentTch	4,807,700	70	+2⅜
Compaq	4,785,500	24⅝	+¾
GrnTree	4,719,400	39⅞	-⅛
AmOnLine	3,864,900	73¾	+1⅞
APwCA	3,338,900	82¾	-1⅛
Vornado	3,335,200	41¼	-2¼

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Tyler	10½	+1	+10.5
DSPCom	16⅞	+1⅝	+10.2
Advest Grp	31⅝	+2⅝	+9.0
Milst Corp	14¼	+1⅛	+8.6
Downs			
KenCyS	17	-1	-5.6
Cendnt	37	-2	-5.1
Vornado	41¼	-2¼	-4.9
Pier 1 Imp.	25¾	-1⅜	-4.9

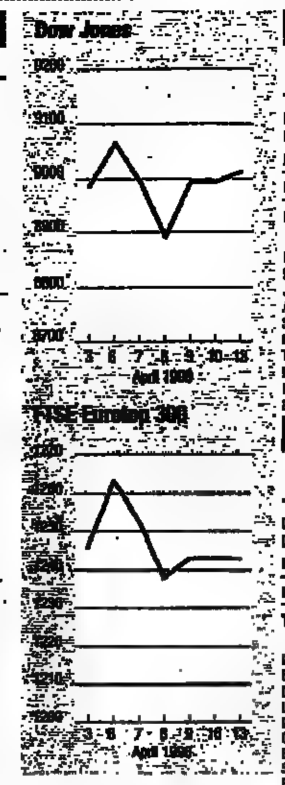
NASDAQ TRADING ACTIVITY Volume 763,700,000

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Intel	14,592,700	73¾	+1⅝
DellComp	12,717,200	87⅞	+¾
CiscoSys	11,070,400	67	-1¼
Yahoo	11,042,300	113¼	+16
AscendCom	10,512,200	38⅝	-1⅞
Micsft	8,404,700	89	+⅛
DeBeers	6,957,400	21⅞	-⅛

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
PairwrTch	16⅛	+2⅞	+21.8
Excite	63¾	+9¾	+18.0
Dart Grou	183½	+23½	+16.8
Yahoo	113¼	+16	+16.6
Downs			
Fossil	19¾	-3¼	-14.4
Gymboree	21¼	-2¼	-9.4



JAPAN

	Apr 13	Apr 10	Apr 9	1998 High	1998 Low	Since compilation High	Since compilation Low
Nikkei 225	16317.58	16481.12	16536.66	17264.34	14664.44	38915.9	85.25

Day's high: 16400.99. Day's low: 16277.07.

TOKYO TRADING ACTIVITY Volume : 178,800,000

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Np Steel Cp	5,858,000	222	-4
Fujita Cp	4,371,000	110	+2
JAL	3,697,000	421	+17
Aichi Cp	2,653,700	785	+72
Sakura Bk	2,650,000	447	-13
NKK Cp	2,580,000	124	-7
Taisei Cp	2,048,000	325	-15
Nissan Mtr	1,807,000	483	-12
Fuji Hvy Ind	1,805,000	571	+7
Fujitsu	1,785,000	1460	+10

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Fujiya	388	+43	+18.2
Hisamitsu Phm	1002	+100	+11.1
Aichi Cp	785	+72	+10.1
Kagawa Bk	679	+59	+9.5
Downs			
Taiko	250	-30	-10.7
Koutaku Cns	201	-24	-10.7
Tky Tekko	126	-15	-10.6
Sasaki Gls	182	-21	-10.3

FRANCE

	Apr 13	Apr 10	Apr 9	1998 High	1998 Low	Since compilation High	Since compilation Low
CAC 40	closed	closed	3894.48	3898.75	2882.54	3898.75	984.61

Day's high: - . Day's low: -

PARIS TRADING ACTIVITY Volume : 441,492,080

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Rhone-Poulenc	1,897,312	294.6	-6.6
Usinor	728,617	98.5	+0.5
Soc Generale	722,283	1272.0	+52.0
Alcatel	694,804	1147.0	+43.0
France Tel	685,496	336.3	-2.8
As Gn France	527,528	370.0	+3.5
Bull	509,437	74.3	+4.8
Elf Aquit	487,138	782.0	+10.0
Bqe Nt Paris	392,431	537.0	
Lafarge	374,585	592.0	

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Montupet	1842	+411	+28.7
Bqe Petrolgz	9.85	+1.8	+22.4
Grp Valfond	218.3	+20.3	+10.3
Ccgld	950	+79	+9.1
Downs			
Tat Dan Hung	105	-10.2	-8.8
FDM Pharma	120	-10	-7.7
Manoukian	235	-15	-6
Localfinance	255.6	-13.4	-5

GERMANY

	Apr 13	Apr 10	Apr 9	1998 High	1998 Low	Since compilation High	Since compilation Low
DAX	closed	closed	5317.22	5357.05	4067.28	5357.05	931.18

Day's high: - . Day's low: - .

FRANKFURT TRADING ACTIVITY Volume : 16,321,072

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Daimler-Benz	676,262	191.5	+6.8
BASF	627,437	82.2	+1.65
Deutsche Tel	614,959	40.25	-0.15
Lufthansa	555,017	39.0	-0.8
Deutsche Bnk	545,628	151.0	+3.2
Commerzbank	528,519	70.3	+0.8
Bayer	523,510	83.0	+0.3
Siemens	471,924	121.7	+0.95
BHW Hldgs	377,859	32.17	+0.67
Veba	351,367	128.95	+6.05

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Pfaff	68	+14	+25.5
Massa	180	+29	+19.2
Bay Boden Um	36	+5	+16.1
Sixt	210	+18	+9.4
Downs			
Rheinmetall Pf	48.5	-3.5	-7.4
Bf Fritz Fass	56	-4.5	-7.4
Hager Ruck	236	-18	-8.3
Strabag Pf	127.8	-7.2	-5.3

UK

	Apr 13	Apr 10	Apr 9	1998 High	1998 Low	Since compilation High	Since compilation Low
FTSE 100	closed	closed	6105.5	6105.80	5068.80	6105.8	986.9

Day's high: - . Day's low: - .

LONDON TRADING ACTIVITY Volume : 749,200,000

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
BTR	33,574,400	208¾	+10¾
Signet Grp	28,943,640	43½	+1
Belgo Grp	15,420,820	8	+¼
Halifax	13,245,290	880	+2
Abbey Natl	13,088,890	1203	+10
GEC	13,042,740	436¾	-8¾
ASDA Grp	12,725,230	218	+6
Reuters Grp	12,491,580	670	+12½
Dana Petro	11,916,300	21	
MFI Furn	11,833,160	95	+9

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Pathfndr Prop	18½	+7	+60.9
Snakeboard	1	+¼	+33.3
Autonov	101½	+24	+31.0
Br Thornton	36½	+6	+19.7
Downs			
Full Circle	3½	-¾	-17.7
AAF Inds	37½	-5	-11.8
Topps Tiles	310	-37½	-10.8
EBC Grp	54½	-4½	-7.6

INDEX FUTURES

■ DAX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
...					3892.0	376	33,808
...					3858.0	717	1,144
...					5248.0	18,328	113,575
...					5305.5	18	17,038

■ DAX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Apr	2989.75	3003.50	+27.80	3005.00	2970.00	2,202	31,253
Jun	-	-	-	-	-	-	130
■ SOFFEX							
Apr	7557.0	7638.0	+98.0	7652.0	7542.0	3,675	23,290
May	7532.0	7594.0	+4.0	7585.0	7532.0	940	3,311

WORLD MARKETS AT A GLANCE

[illegible]

THE NASDAQ STOCK MARKET

4 pm close April 13

[illegible]

THE NASDAQ STOCK MARKET

[illegible]

AMEX PRICES

4 pm close April 13

[illegible]

EASDAQ

[illegible]

FT GUIDE TO THE WEEK

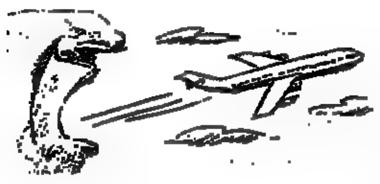
TUESDAY 14

Botha in court

P.W. Botha, South Africa's former president, is to appear in court in the town of George charged with defying a subpoena to appear before the Truth and Reconciliation Commission, which is examining crimes committed in the apartheid era. Two neurologists had submitted affidavits saying that Mr Botha was unfit to stand trial and unable to distinguish right from wrong after suffering a stroke in 1989. But Frank Kahn, Western Cape attorney-general, ruled last week that the trial should go ahead as planned. Some right-wing whites have attempted to make the Botha case a rallying point by accusing the ruling African National Congress of persecuting members of the former National Party regime.

Plane speaking

Airports Council International, the global airports body, hosts a three-day conference in Geneva on traffic development and air service opportunities. On the agenda are the future of hubs and secondary airports, new airport services stemming from new aircraft types, low-cost carriers and their



impact on the market, and the role of tourism in building air travel markets.

FT Survey

Sweden.

Holidays

Bangladesh, India, Liberia, Sri Lanka, Thailand.

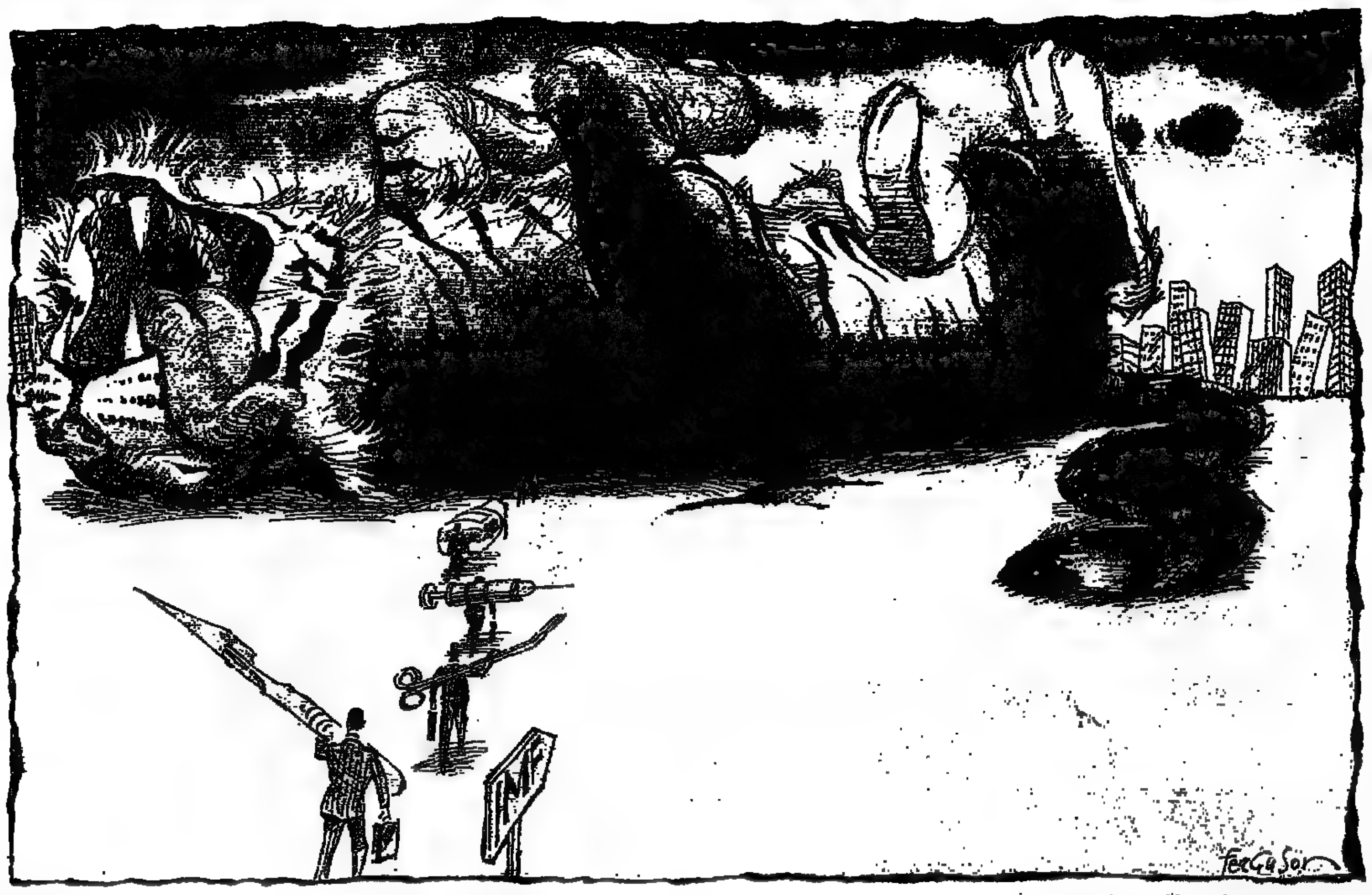
WEDNESDAY 15

Jobs deadline

European Union nations have until today to lodge reports with the European Commission about how they are creating jobs and tackling unemployment. The documents will be analysed by Commission officials drawing up 1999 employment guidelines expected to outline best practice. The idea came out of the EU's first employment summit in Luxembourg last year and is aimed at reducing the union's 18m jobless toll.

Group therapy

Finance ministers from the Group of Seven leading industrial nations meet in Washington, ahead of the World Bank and International Monetary Fund meetings. The G7 ministers are expected to discuss the international efforts to aid the faltering economies of east Asia, as well as Japan's attempts to resuscitate its own economy. At the same time in Washington, the Group of 24 ministers also meet, chaired by Antonio Casas-Gonzalez, president of Venezuela's central bank.



The plight of the Asian economies will be high on the agenda at the spring meetings of the International Monetary Fund and the World Bank in Washington this week

Euromoney conference

Lawrence Summers, US deputy treasury secretary, Antonio Sousa Franco, Portugal's finance minister, Antonio De Sousa, governor of the Bank of Portugal, Wolfgang Ruttenstorfer, Austrian state finance secretary, and panellists from the Federal Reserve, the European Community, the Bank of England, and the European Monetary Institute will address a Euromoney conference on European economic and monetary union at the Plaza Hotel, New York.

FT Survey

Russia.

Holiday

Thailand.

THURSDAY 16

Presidential muddle

The Slovak parliament begins its third attempt to elect a president to replace Michal Kovac, who stepped down on March 2. For the first time, the ruling Movement for a Democratic Slovakia has put up a candidate, Milan Secansky, a deputy, but he is unlikely to secure the three-fifths vote required. The other candidates are Brigita Schmognerova, deputy leader of the former communist Party of the Democratic Left, and Sdeno Suska, an independent, who are also expected to be unsuccessful. Since Mr Kovac stepped down, the government has assumed most of his powers and used them to cancel a referendum he called to back direct presidential elections.

Asia on their mind

The two-day spring meetings of the International Monetary Fund and the World Bank take place in Washington, and are expected to concentrate on Asia's economic problems. Michael Camdessus, the IMF's managing director, will present the results of the interim committee discussions. Gordon Brown, the UK's chancellor of the exchequer, chairs the meeting of the Group of 10's ministers. Representatives from Europe, Asia and Latin America will also meet to discuss the lessons learned from the handling of the east Asia financial crisis.

Clinton in Chile

President Bill Clinton goes to Chile, returning the visit made by President Eduardo Frei in 1996. On Friday he will attend the congress in Valparaiso, where the audience will include Augusto Pinochet, life senator and former dictator. The US president may also visit the seaside home of Pablo Neruda, Chile's Nobel prize-winning poet and zealous communist. Hillary Clinton is scheduled to travel to the southern city of Temuco to meet native Indian groups.

Trade treaty I

Presidents of Central American nations, meeting in Buenos Aires, are expected to sign a framework free-trade agreement between South America's Mercosur bloc and the Central American Common Market. On the same day Mercosur will sign a trade deal with the Andean Community, South America's other trade bloc.

Trade treaty II

In Santo Domingo, five Central American countries and the Dominican Republic will sign a free trade treaty as part of an effort to prepare for the proposed hemispheric free trade area in 2005. The pact, which will create a market of 40m people, will include Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua. The Dominican Republic, which is also negotiating a free trade treaty with the 15-member Caribbean Community (Caricom), hopes it can be a bridge in linking trade between Central America and the Caribbean islands. The

signatories to this week's treaty say they will speak with a combined and stronger voice at the weekend summit in Chile to start negotiations on the hemispheric trade bloc.

Tobacco lawsuit

A pre-trial hearing of a lawsuit against cigarette companies on behalf of sick Florida smokers takes place in the Miami-Dade County courthouse.

African manoeuvres

Soldiers from eight west African countries – Benin, Burkina Faso, Chad, Ghana, Ivory Coast, Niger, Nigeria and Togo – hold joint manoeuvres in Burkina Faso. The exercises, christened Cohesion Kompienga 98, are the first organised by African nations without foreign help (to April 21).

FT Survey

World Energy Review.

Holidays

Iran, Israel.

FRIDAY 17

Cohen talks to Turkey

William Cohen, US defence secretary, arrives in Turkey to discuss defence ties between the two Nato allies. He will visit the Incirlik base which has been used by the US airforce to patrol the skies over northern Iraq since the 1991 Gulf War and hold talks on April 18 in Ankara with the Turkish authorities.

Schröder test

Germany's Social Democrats are expected to endorse Gerhard Schröder, the prime minister of Lower Saxony, as their chancellor candidate, at a special one-day party conference in Leipzig. Mr Schröder will challenge Chancellor Helmut Kohl in the federal election on September 27. The SPD rally will also agree the party's election programme and seek to build on its strong opinion poll showing. The SPD has cast itself as the "new centre" in German politics and has put fighting unemployment as its top priority.

Holidays

Cyprus, Greece, Israel, Lebanon, Ukraine.

SATURDAY 18

All-America summit

The heads of state of all 32 nations from North and South America meet to formally launch negotiations for the Free Trade Area of the Americas (FTAA) which is due to be in place by 2005. The summit organisers also expect to announce a $4bn-$5bn package of aid, from sources that include the InterAmerican Development Bank (IDB) and the World Bank, to support educational reforms for the region, and for judicial training and support for small businesses.

Yeltsin rescheduled

Russian president Boris Yeltsin is due to hold informal talks, postponed from last week, with Ryutaro Hashimoto, Japan's prime minister, at the coastal resort of Kawana, south-west of Tokyo.

Building bridges

Prime ministers Goh Chok Tong of Singapore and Mahathir Mohamad of Malaysia formally open a second road bridge between their countries.

FT Survey

Clocks, Watches and Jewellery.

Holidays

Albania, Zimbabwe.

SUNDAY 19

Austrians vote

Austrian presidential elections are held, with a second round to follow on May 24 if necessary.

Holidays

Belarus, Bulgaria, Egypt, Lebanon, Moldova, Russia, Ukraine, Venezuela.

Compiled by Roger Beale
Fax 44 171 873 3196

ECONOMIC DIARY

Other economic news

Tuesday: Weaker energy prices in the US are likely to have subdued any increases in the consumer price index during March. The core CPI is expected to show a lower increase than February's 0.3 per cent monthly rise, with most in the market forecasting a rise of 0.2. US retail sales during March were likely to have been depressed by the timing of the Easter holiday.
Wednesday: The British Retail Consortium's sales monitor for March will provide an important indicator of the strength of sales volumes – although the timing of Easter again complicates the overall retail picture.
Thursday: The indications are that Italian industrial output has been firmer in the first quarter this year – with business confidence, electricity consumption and expectations of higher orders all pointing to output growth during February.
Friday: A rebound in US export volumes during February is expected, after January's trade balance increased to a $12bn monthly deficit. But rising inventories may have brought an influx of imports, causing the balance to deteriorate.

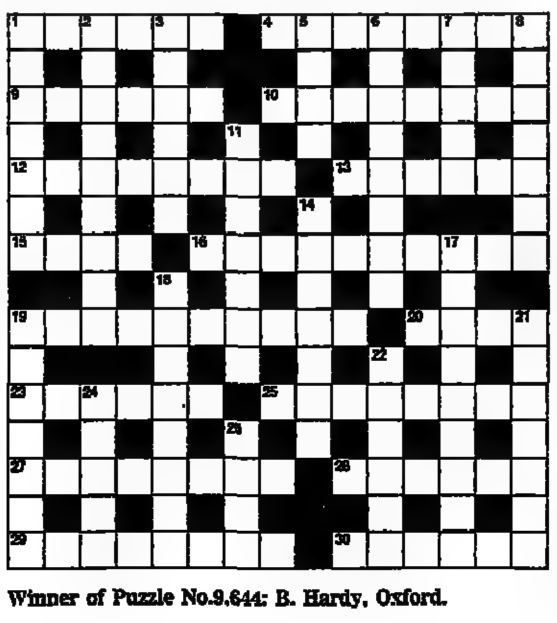
Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Yest'day	Japan	Feb mach'ry ordrs ex power/ships**		-4.7%
	Japan	Feb mach'ry ordrs ex power/ships		13.8%
	China	Mar trade balance		$3.15bn
	UK	British Retail Consortium survey		3.4%
Tues	UK	Mar producer price index input*	-0.5%	-0.2%
Apr 14	UK	Mar producer price index input**	-8.8%	-9.5%
	UK	Mar producer price index output*	0.0%	0.0%
	UK	Mar producer price index output**	0.9%	0.8%
	UK	Mar prod pri indx ex food/drink/tob**	0.4%	0.4%
	US	Mar consumer price index	0.1%	0.1%
	US	Mar consumer pri index ex food/energy	0.2%	0.3%
	US	Mar retail sales	0.2%	0.5%
	US	Mar retail sales ex-auto	0.1%	0.6%
	US	Mar Atlanta Fed index		14.0
	US	Mar real earnings		0.9%
	US	Redbook April 11		-2.1%
Weds	Japan	Feb industrial production†		-3.3%
Apr 15	Japan	Feb shipments†		-3.6%
	US	Feb business inventories	0.6%	Unch
	Canada	Feb motor vehicle sales*	9.3%	-27.0%
	US	Mar export price index		-0.2%
	US	Mar import price index		-0.8%
	Japan	Mar money supply (M2+CD)**		4.8%
	Japan	Mar broad liquidity**		3.1%
Thurs	Italy	Feb industrial production*†	0.3%	1.0%
Apr 16	Italy	Feb industrial production** nott		2.3%
	Malaysia	Feb industrial production**	5.7%	3.0%
	US	Initial claims week ending April 11	310k	
	US	Mar housing starts	1.57m	1.64m
	US	Mar building permits		1.63m
	US	Apr Philadelphia Fed index		16.1
	Canada	Feb wage settlement increase**	2.1%	2.5%
Fri	US	Feb trade: goods/services	-$12.0bn	-$12.0bn
Apr 17	US	Feb goods/services export (bal of pay)	$77.5bn	$77.3bn
	US	Feb goods/services import (bal of pay)	$89.5bn	$89.3bn
	Canada	Feb merchandise exports†*	2.2%	-4.3%
	Canada	Feb merchandise imports†*	3.5%	-3.6%
	US	Mar industrial production	Unch	Unch
	US	Mar capacity utilisation	82.4%	82.7%
	US	Apr Michigan sentiment preliminary	106.0	105.5
Sat	Korea	Mar current account		$4.05bn
Apr 18	Korea	Mar trade balance		$3.96bn
Sun	Singap'e	Feb retail sales index (nom)**		-8.4%
Apr 19	Japan	Mar trade bal (customs cleared, nott)		Y800bn
During the week...				
	Japan	Mar Tokyo department store sales**		-5.4%
	Germany	Feb retail sales, real nott**	-0.5%	-3.2%
	Germany	Feb retail sales, realt*	1.0%	-5.5%
	Germany	Mar wholesale price index*	0.0%	0.0%

*month on month, **year on year, †seasonally adjusted. Statistics, courtesy Standard & Poor's MMS.

ACROSS
1 Sounds confused (6)
4 Front vehicle needs protection (8)
9 Female articles (6)
10 During break, call back mum (8)
12 Paying out starting odds before the finish (8)
13 Heat and wrath generated about the first mate (6)
15 Easy pace of David Copperfield (4)
16 Price of a suit? (5,5)
19 Socialist soccer player (4-6)
20 Smart fellow the French take into account (4)
23 Three of them make a quarter (6)
25 Drink of tea I sent out for (8)
27 Products of fruitful harems? (8)
28 Drug user did wrong in law (6)
29 Short skirts tempt the clergy (8)
30 Yet one may be at one's lowest on them (6)

DOWN
1 School principal to order a hearing-aid (7)
2 The richer for not getting on? (6,3)
3 Tips union leader to spend freely (6)
5 Took off commercial about keep-fit exercises (4)
6 A leading function (8)
7 A lighthouse casts it across the vessel (5)
8 Roadside dumps?(7)
11 Fail to draw positive conclusions from Dante's work (7)
14 Show how old one is in a gasp (7)
17 A brilliant game for one person (9)
18 Better than one - if you want to cheat at tossing (3,5)
19 Big cash payment for cube sugar? (4,3)
21 Makes a secret assignation (7)
22 Exhausted when given high level employment (4,2)
24 Man made fabric, afternoon only perhaps (5)
26 Equitable market (4)



Winner of Puzzle No.9,644: B. Hardy, Oxford.

PRIZE CROSSWORD

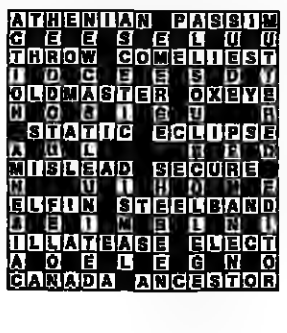
No.9,655 Set by DANTE

A magnum of Laurent Perrier Rosé champagne for the first correct solution opened. This prize is available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a stainless steel FT desk clock. Solutions by Thursday April 23, marked Monday Crossword 9,655 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday April 27. Please allow 28 days for delivery of prizes.

Name...

Address...

Solution 9,644



JOTTER PAD

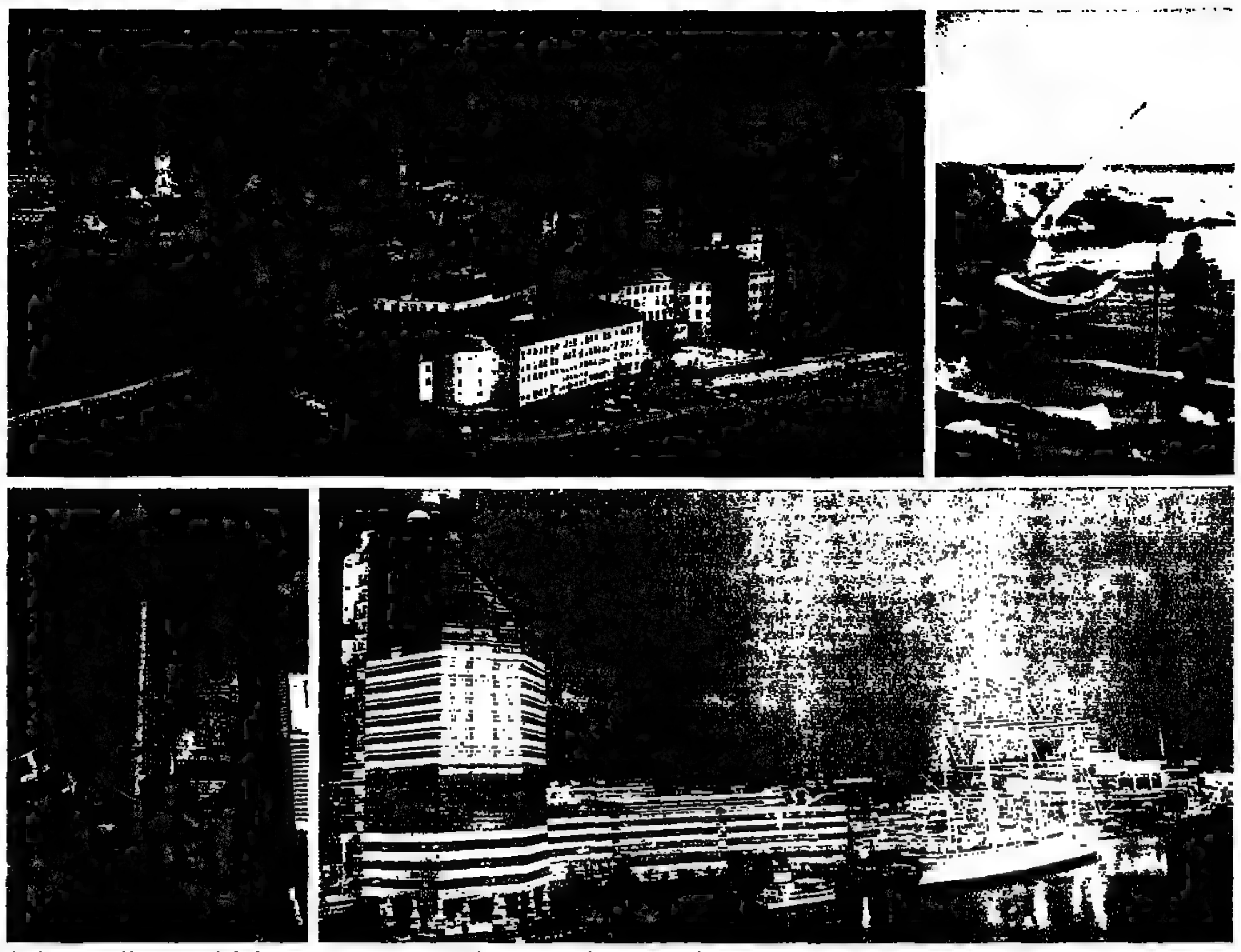
هكذا من الأصل

هكذا من الاصل

Sweden

The government is trumpeting its economic success but big business has reservations, says **Tim Burt**

Playing it safe for the election



Tourists are flocking to Stockholm but foreign executives are proving more difficult to attract to the capital and Gothenburg — Photos: R.Ryan (top, left and right, bottom left); Ray Roberts

The future political and economic direction of Scandinavia's largest economy will be decided later this year when Swedish voters go to the polls.

Parliamentary elections in September, the last before the millennium, will deliver the country's verdict on the ruling Social Democrats – who have dominated the political scene for more than 70 years. The election comes at a time when Sweden's pursuit of full employment and generous welfare benefits looks increasingly unachievable.

With just six months of campaigning ahead, the government appears confident. It has good reason to be. After the seismic shocks of the banking crisis, recession and rising unemployment of the early 1990s, the economy has been brought under control and restored to health.

Today, the government will stake out its battleground for the election by pointing to low inflation, modest interest rates, solid GDP growth and a prospective surplus.

The 1999 budget, to be delivered at the Riksdag this afternoon, will paint a picture of a country on a firm – if rather sedate – recovery trend. In addition to general economic well-being, Erik Asbrink, Sweden's finance minister, will highlight the signs of falling unemployment and increasing personal prosperity.

Moreover, the prospects of a surplus should enable the Social Democrats to give a sweetener to their traditional left-of-centre supporters by releasing more resources for local authorities, health and education without breaching public-spending ceilings.

That should lay the foundation for a powerful election manifesto, and creates a difficult target for opposition parties to shoot at. More so, because all seven political parties recognise the need for a stable economy. Privately, some opposition leaders applaud the monetary policy pursued by the Riksbank and the government's success in meeting a 2 per cent inflation target.

But there the consensus ends.

With the vital goal of economic stability assured, rival factions in parliament, industry and organised labour have begun drawing up widely differing "wish lists" for the future of Sweden – both on the domestic and international stage.

At issue are tax reforms; labour market flexibility – or lack of it; delivery of welfare and, perhaps most importantly, attitudes to European economic and monetary union.

Göran Persson, preparing to fight his first election as prime minister, says that all these areas will be addressed – but only when the time is right. On three counts – taxes, organised labour and Emu – that time is not now.

Interviewed for this survey, he makes plain that tax cuts will take second place behind the delivery of welfare services. Sweden will not adopt the single currency without strong public support; and Mr Persson sees little problem with current labour rules and the influence of trade unions. His relaxed view of the challenges facing the country causes barely-concealed irritation among opposition centre-right parties and the largest employers organisations.

They argue that Sweden faces a stark choice. It must either press the fast-forward button – embracing radical reform in social welfare, employment rules, and foreign and security policy. Or it opts for the rewind, seeking to recreate the 1950s era of jobs for all and unrivalled state care.

Social Democrat leaders believe there is a middle path, whereby the government can marry its paternalistic desire to "look after Sweden", while reassuring big companies that it is a good place to do business. They also see no conflict between abstaining from the euro and pledging to make its introduction a success.

Carl Bildt, the former prime minister and leader of the Moderate party, scoffs at that idea. "This country needs renewal, but it is in danger of lagging behind," he says.

Mr Bildt – who last year returned to Swedish politics after two years as the international peace envoy in Bosnia – cites analysis by the OECD, which says Sweden has fallen from fifth to 18th place in the ranking of per capita purchasing power over the past 20 years. It has been overtaken by countries such as Ireland and Italy.

Mr Bildt's statements are aimed clearly at unseating the government. But the disquiet extends beyond electioneering.

The OECD – while not quite accusing the Swedish government of complacency – has recently drawn up a list of recommendations regarded as blasphemous by some Social Democrats. Among other demands, the Paris-based organisation has called for reduced taxes on labour, lower social security payments, wider wage differentials, and a simplified tax regime for small companies.

Employers, moreover, have warned that Swedish companies will not wait for the government to address these issues. Instead, they fear investment leaking overseas and an exodus of corporations frustrated at personal tax levels.

That may be overly pessimistic. But there are signs of big corporations – of which Sweden has many – becoming disillusioned with government policy.

Ericsson, the country's single largest exporter, has warned it might relocate its headquarters to London because Swedish income tax levels make it almost impossible to recruit suitable foreign executives. Such a move could prompt other companies to reassess the location of their headquarters.

The danger for Sweden is that companies such as Ericsson – with most sales already outside Scandinavia – might start making different investment decisions based in London than in Stockholm.

In the worst case scenario, their commitment to the label "Made in Sweden" might start to wane.

So far, few companies have threatened to withdraw investment from Swedish plants. But the divergence of corporate Sweden from political Sweden will be amplified by the introduction of the single currency next year.

According to Mr Persson, Sweden is not ready for the euro and there is little public support for it. Mr Bildt describes that claim as a myth – saying the only real source of euro-scepticism is the Social Democratic party itself.

While they argue, large Swedish companies have already begun active preparations for the new currency. Some of them will switch accounting, invoicing and possibly share listings from krona to euro. While the transition is expected to be gradual, it will signal that industry does not share government reservations about closer integration.

If opinion polls were running against the Social Democrats, the combination of boardroom criticism and opposition disquiet might give Mr Persson cause for alarm. But this is not the case. Indeed, recent polls results suggest that his cautions approach towards both Emu and reforms at home reflect the national mood.

Although there are signs of growing enthusiasm for change among young voters, most Swedes seem reassured by the government's handling of the single currency issue and the pledge to deliver improved welfare before considering tax cuts.

An election ticket of careful economic husbandry and a "softly, softly" attitude to monetary union will probably prove a vote winner for the existing government. That might be frustrating for modernisers in industry and politicians such as Mr Bildt, but it would not be a dissater for Sweden.

If nothing else, victory in 1998 for the Social Democrats would at least place the country in a safe pair of hands.

ECONOMY • by Tim Burt

Reasons to be cheerful

The figures say it all, says the finance minister but critics still have doubts

Erik Asbrink has good reason to be satisfied with the state of the Swedish economy.

The country's finance minister, an advocate of tight fiscal policy and strong public finances, believes his handling of the economy will provide powerful ammunition for the government's re-election campaign this year.

On the face of it, the figures look arresting. GDP growth of 1.8 per cent last year is set to accelerate to 2.9 per cent this year, levelling off at 2.7 per cent in 1999.

Unemployment, excluding government-sponsored training schemes, is expected to fall from 8 per cent in 1997 to below 7 per cent. The government's financial balance should move this year from a 1.1 per cent deficit to a 1.9 per cent surplus.

"The overall picture has been a trend towards a tremendous improvement in macro-economic conditions," says Mr Asbrink.

"Improved public finances with resulting decreases in interest rates, and growing surpluses in the current account, together paint a picture of a stronger economy."

Over the next five years, the national institute of economic research estimates that growth will average 2.5 per cent a year with inflation hovering around 2 per cent.

Its optimism is echoed by the Riksbank, where central bank governor Urban Bäckström believes that economic turmoil in Asia and wage restraint should further subdue inflationary pressures.

"Employment is expected to rise as demand becomes stronger," he says. "If this materialises, economic development in Sweden in the coming two years should be fairly favourable, with good growth, some increase in employment and moderate inflationary pressure."

According to the central bank, inflation is expected to average 1.6 per cent in 1998 and 2.1 per cent in 1999. That has persuaded Mr Bäckström to suggest there is no immediate pressure to increase the repo rate from its current 4.35 per cent level.

Sweden should, therefore, continue to meet most of the criteria for European economic and monetary union, even though the government has decided for political reasons not to join in the first wave.

So far, so good. But many opposition politicians, employers and leading industrialists believe that the government's outlook is over-optimistic and that Sweden's public finances could be derailed by any change in the economic cycle.

"The government's forecasts are based on the assumption that there will be no downturn, and Sweden has still not embraced structural reforms of its labour market," according to Carl Hamilton, economics spokesman for the opposition liberal party.

He claims that growth in job creation will be only modest, particularly in the public sector.

Claes Dahlbäck, the chief executive of Investor – the main investment vehicle of the Wallenberg family, is more forthright still. "Further reforms of a more comprehensive type must be enacted if Sweden is to catch up with other OECD countries," he says. "We feel that labour market laws in their present form are ineffective and do not contribute to increasing employment."

The government has shown little inclination to shake up labour laws or heed calls for lower income taxes, mainly because of its close ties to the union movement and its commitment to generous welfare benefits.

Mr Asbrink, who is more of a moderniser than many of his cabinet colleagues, toes the party line that tax cuts must be secondary to a strong welfare system, and that union reform cannot be taken lightly.

"It is difficult for us to accept flexibility if that means reducing the roles of trade unions in the labour market, or scaling down unemployment benefits or workers rights," he adds.

To the government, labour market reform is largely confined to improved skills training and encouraging a shift in employment from the public sector to the private.

While the economy is enjoying an upturn and demand remains solid, the Social Democrats can probably justify such tinkering. But more radical action will be required if the cycle turns.

Any reluctance on the part of unions to embrace reform and, in extreme circumstances, an outflow of industrial investment could quickly reverse any fall in the jobless totals.

Mr Asbrink regards that as highly unlikely, even if some disgruntled corporations have threatened to shift their corporate headquarters overseas.

In a bid to preserve the government's generally consensual approach to business, he has held out the prospect of tax breaks in the future for small and medium size businesses.

But, for the time being, such reforms would still come below welfare spending and education in terms of government priorities.

In today's budget bill, the finance minister will reiterate that the longer Sweden can sustain a favourable macro-economic situation, then the more opportunity it will have to address structural problems.

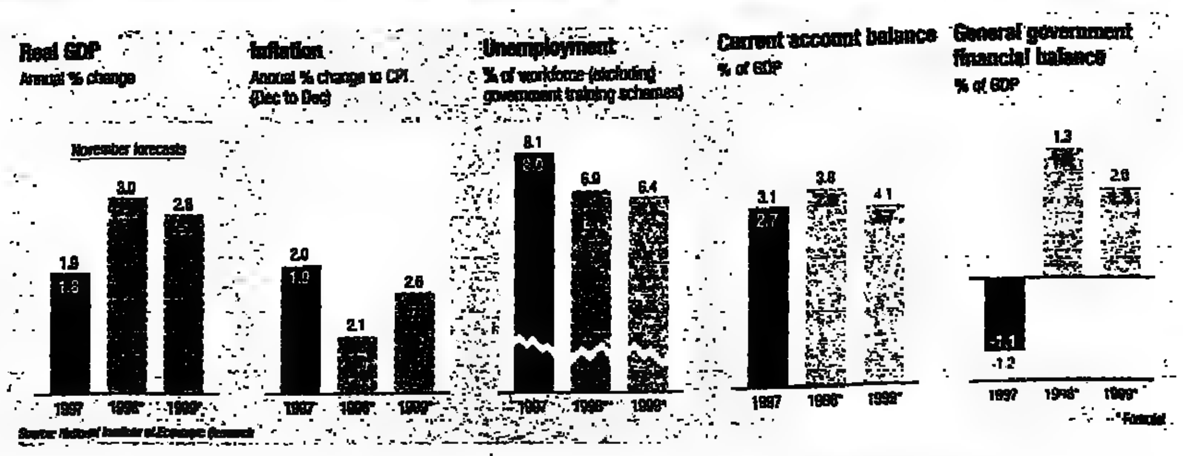
"We will look at the long-term problems and tax reform. But not at the expense of our surplus – we will not borrow to finance tax reductions and we must also have a strong welfare system," according to Mr Asbrink.

Critics of government policy admit that Sweden has moved out of a period of stagnation and there are signs of a feel-good factor returning, at least in terms of consumer spending.

But they claim that the growth is not generating jobs fast enough and the failure to embrace labour reforms could make the next recession very painful.

By focusing on future hazards rather than existing difficulties, they are acknowledging (coyly) the government's success in restoring the economy to health. Although the government cannot be complacent about its achievements, it deserves to be satisfied that Sweden has shrugged off the negative growth figures of the early 1990s and begun to tackle unemployment.

"We are going to fight the election on our economic record and we have a good record to show," says Mr Asbrink.




Erik Asbrink: more of a moderniser than many colleagues

EUROPEAN MONETARY UNION • by Tim Burt

Scepticism which runs deep

The opposition parties reject the government's wait-and-see approach

Sweden will not take part in European economic and monetary union in 1999, that much is certain.

According to the country's ruling Social Democrats, Scandinavia's largest economy is simply not ready to surrender the krona, even if it qualifies for participation in the single currency.

Like its Danish counterpart, the Swedish government believes that suspicion of Emu runs so deep that voters would reject any attempt to introduce the euro from the start.

That scepticism extends from rural farming communities to the Riksdag in Stockholm; there is little agreement – even in the cabinet – on how to proceed.

On one side, business leaders and opposition Moderate and Liberal politicians are calling on Sweden to join the project at the earliest opportunity. On the other, labour unions and senior ministers are urging caution, warning that the country cannot sign up to Emu without a popular mandate.

The government argues that it cannot put the issue to a referendum without being reasonably sure of a solid "yes" vote. In the current economic climate, such a result is unlikely.

Swedish euro-scepticism has its roots in the timing of Sweden's EU entry in 1995. Many of those who voted to join the union did so in the expectation of immediate economic benefits.

They have been disappointed. In some parts of the country, Brussels has even been blamed for rising unemployment and forcing the government to cut spending.

That sentiment has persuaded Göran Persson to adopt a wait-and-see approach. The prime minister believes he is fully justified in standing on the sidelines, even though Sweden cannot fall back on opt-outs from the Maastricht treaty.

While acknowledging the economic advantages of Emu, Mr Persson says Swedes are concerned that the single currency could be the precursor to wider political integration.

"This is not only about coins and bills but a new type of co-operation inside the EU," he adds. "How far can you go in that co-ordination before you need new political bodies; isn't it fair to tell the electorate that this could end up as a different political union?"

That is a view wholeheartedly rejected by Carl Bildt, leader of the Moderate opposition. He maintains that public antipathy to Emu has been greatly exaggerated.

"Swedes does not have an emotional attachment to our currency, unlike in Germany and Britain, and there is far less suspicion than the government claims."

According to Mr Bildt – who hopes to form a centre-right government following September's parliamentary elections – a commitment to Emu participation would split the social democrats, but not the country.

"It is a myth that we have a problem with the single currency, we do not," he says.

His irritation is shared by the Liberal party. Carl Hamilton, its chief economics spokesman, warns that Sweden will lose international influence by remaining outside the euro – especially if the UK signals its intention to join.

In the political cross-fire, Swedish manufacturers and the financial services industry have begun making active preparations for taking part in the euro.

Large companies, including Ericsson and Astra, have indicated that they will consider switching invoicing, transactions and accounting from krona to the single currency. They may also abandon krona-listing in favour of euro-quotations on the Stockholm stock exchange.

The stock exchange itself will shortly publish its strategy for introducing the single currency. It is expected to recommend that companies list either in krona or euro – but not both.

Even the Riksbank, the central bank, has shown strong enthusiasm for Emu. Urban Bäckström, the bank's governor, says: "The bank board would have liked to join Emu at the start; we saw strong benefits in doing so."

If there is a sudden swing among Swedish companies to the euro, it could lead to a flight of capital. According to a report by Skandinaviska Enskilda Banken, demand for the krona might fall by SKr130bn a year.

"Signals that there will be a long period of Emu non-membership combined with an economic policy that undermines confidence in Sweden and in the krona may trigger a wave of conversions to the euro," says Robert Bergqvist, the report's author.

Such an outcome is not certain. A gradual transition to the euro among Swedish businesses is more likely from 1999. But the movement will be inexorable.

Increased volatility of the krona is a risk, and the creation of the single currency will almost certainly lead to a further consolidation in the financial services industry.

But the central bank appears confident that the existing floating exchange rate policy will not be greatly destabilised.

That will be some consolation to the finance ministry, which is determined to ensure that the krona is not marginalised by the introduction of the single currency.

Indeed, Erik Asbrink, the finance minister, says the government can pull off the balancing act of protecting the krona while also supporting the introduction of the euro.

Although Sweden will not adopt the single currency at the outset, he says the government wants to ensure the project is a success. And despite claims of public scepticism, he sees no contradiction in that strategy.

"We believe that the Euro will be a strong currency," he adds. "But it does not change the Swedish perspective that we should not participate from the start."

The latest opinion polls, meanwhile, appear to indicate a generational change in attitudes towards the single currency. A poll published last month in the newspaper FinansTidningen suggested that a majority of Swedes aged 18-24 would vote in favour of Emu.

More importantly, it indicated that a majority of Swedes in all age groups would back the project – following a successful launch by the founding 11 countries.

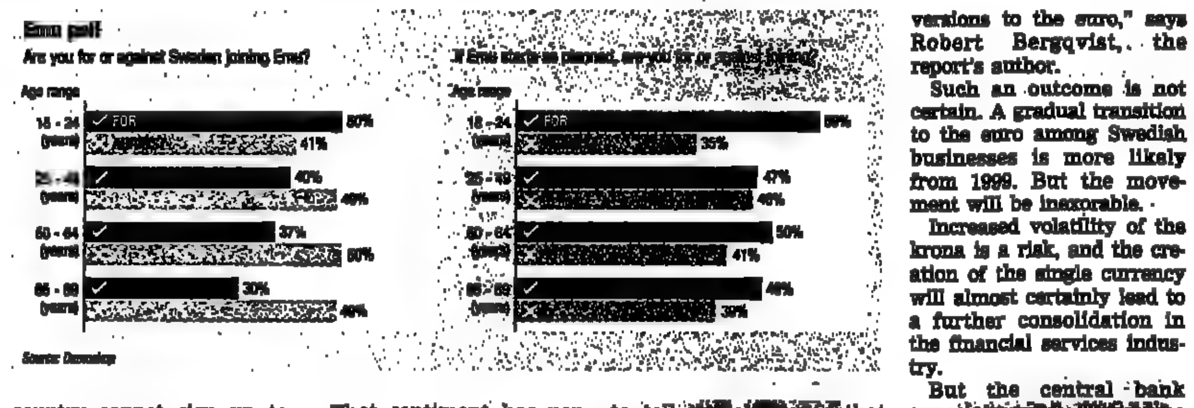
Mr Persson and his government, however, will not change course ahead of the general election. And even then, opinion polls would have to show an overwhelming shift in public sentiment before they would risk a referendum.

"I do not want to take Sweden into monetary union with a decision backed only be a small majority," says Mr Persson. "I want to have a couple of years of further sustained recovery before we take the next decision."

But if the current upturn falters in the next two years, Sweden might find itself contemplating Emu-membership against the background of recession and rising unemployment.

In such a scenario, securing a "yes" vote could prove even more difficult.

By staying out, the government can be sure of one thing only – it will be excluded from decision-making concerning the euro and may risk isolation from the euro-zone.



BANKING • by Greg McIvor

Drawing a line under the crisis

A spate of nuptials has added spark and prosperity to the sector

Sweden's lenders are catching their breath after a frenetic burst of restructuring since early 1997. The consolidation has redrawn the country's banking map, spawning a leaner sector with enhanced prospects for long-term earnings growth.

The four leading banks – Svenska Handelsbanken, Nordbanken, Skandinaviska Enskilda Banken and Sparbanken Sverige – have all been eagerly grasping opportunities to bolster their collective market dominance and entrench their standing as one of Europe's most profitable national banking markets.

Having cleaned up the debris from an acute loan loss crisis early in the decade, the banks were ripe for a shakeout. Margins have been in retreat for several years in the face of stiffening competition, while growth in domestic lending has proved tepid in spite of benign economic conditions.

Rising technology investment costs have spurred banks to seek economies of scale. Meanwhile, new upstart telephone banks and 'niche' bank operators have eaten into the established banks' retail market shares. At the other end of the spectrum, foreign institutions have squeezed profits in corporate banking, capital market operations and investment banking.

Analysts who predicted such pressures would spark a spate of banking marriages were not disappointed. Nor were investors. The blaze of restructuring has fanned a surge of about 60 per cent in the banking index on the Stockholm bourse in the past year. Banks have been the market's best-performing sector.

Svenska Handelsbanken started the consolidation ball rolling early last year by paying SKr23bn for mortgage lender Stadshypotek. Sparbanken Sverige then merged with smaller rival Föreningsbanken to form FöreningsSparbanken, and Nordbanken joined forces with Finland's Merita Bank in Europe's first cross-border banking merger. Capping the string of deals, SE-Banken in October spent SKr16.8bn on acquiring insurer Trygg-Hansa, creating Sweden's first 'bancassurance' group.

Following the nuptials, the banks have finally drawn a line under the banking crisis by embarking on the remaining spin-offs of big real estate subsidiaries set up in the early 1990s as repositories for foreclosed properties.

Handelsbanken is planning to demerge its SKr6.1bn real estate portfolio inherited from Stadshypotek and distribute shares to its shareholders before floating the company on the Stockholm bourse later this year. FöreningsSparbanken is doing likewise with its Mandamus property arm, while MeritaNordbanken recently pledged to divest its big Finnish-based property portfolio, valued at SKr32bn, in the coming 6-7 years.

But while the mergers may have grabbed headlines, they have not been problem-free. The pitfalls of welding together two different and previously competing organisations were rammed home to SE-Banken investors when the bank's 1997 pre-tax profits plummeted 42 per cent largely because of higher than expected restructuring charges from the Trygg deal.

FöreningsSparbanken suffered a similar fate, being forced to book an unforeseen post-merger SKr2.9bn write-down to cover over-valued assets held by Föreningsbanken.

Nevertheless, the four large banks have unquestionably emerged better equipped to tackle challenges ahead.

According to Goldman Sachs, the quartet had the lowest cost base as well as the highest return on average pre-tax equity in continental Europe in 1997. Credit losses have sunk to their lowest level for a decade and the banks have profited from an unprecedented surge in mutual fund investment.

Building on this foundation is the immediate task. Industry observers expect a bedding down period while the banks strive to assimilate their acquisitions and merger partners. But pressure for further rationalisation will never be far away.

"The Swedish banking market has been one where it is difficult to grow the top line," says John Leonard, European banking analyst at Salomon Smith Barney in London. He believes it will not be long before growing internationalisation and the nascent European single currency put renewed pressure on Sweden's lenders to consolidate.

Mr Leonard predicts that while retail operations will be relatively sheltered from the impact of monetary union, Swedish banks could face an influx of foreign competition in areas like capital markets trading and lending to large companies with operations in euro zone markets.

Here, SE-Banken is perhaps most exposed. Handelsbanken, FöreningsSparbanken and MeritaNordbanken have stronger retail franchises, while SE-Banken is the leader in trading and investment banking.

MeritaNordbanken has the added advantage of having substantial operations inside the single currency area. It also aims to meet international competition by broadening its alliance to other Nordic and Baltic banks.

Hans Liljeblad, partner at Hellström & Partners, a Stockholm law firm which specialises in banking and finance law, believes Swedish banks need to consolidate further before the region becomes sufficiently attractive for big incursions by large foreign banks.

"I think we will see more consolidation first, both in Sweden and at a pan-Nordic level, within the next two or three years," he says.

SE-Banken is a prime candidate. Having said last year it wanted to slim its range of operations it then merged with an insurer, taking it into a completely new field. Investors who hoped for a big cost-cutting merger with another bank were not enthused.

Led by former Trygg chief executive Lars Thunell, SE-Banken now presides over a sprawling empire which ranges from investment banking and capital markets through retail and commercial banking to assurance and non-life insurance operations.

Mr Thunell has indicated that a smaller part of the non-life business – industrial and maritime insurance – may be sold as it is seen as lacking the scale necessary in an international market.

The market, though, anticipates more radical measures. "The challenge near-term is that SE-Banken has too many business lines, not all of which have really strong market positions," says Mr Leonard.

Analysts argue there is case for withdrawing from the thin-margin non-life business altogether, although SE-Banken says private non-life customers present a valuable opportunity for cross-selling of banking products. Other predictions are that SE-Banken may spin off its Enskilda investment banking arm or sell its retail banking network.

هكذا من الاصل

هكذا من الأصل

TAXATION • by Greg McIvor

A structure under scrutiny

The system fails to address impact of demographic change, claim critics

Agneta Ekberg, a secretary from Gothenburg, could be a typical Swede. From her SKr180,000 ($22,800) annual salary she takes home SKr117,600, after a 34.7 per cent deduction for income tax and state pension contributions. Property tax, sales tax and a cluster of other direct and indirect taxes combine to reduce her real income to SKr82,800, less than half her gross wage.

Ms Ekberg would derive limited benefit from a pay rise to offset the high tax imposition. Anyone earning above SKr209,100 ($26,500) a year is classed as a high income-earner and must pay an additional 5 per cent in marginal income tax. Beyond this point the income tax scale rises sharply, so that someone earning as little as SKr240,000 pays the top marginal rate of 59 per cent.

It is small wonder that Sweden has the second-highest tax burden in the industrialised world, after Denmark. Tax accounted for 49.7 per cent of Swedish gross domestic product in 1995, according to the Organisation for Economic Co-operation and Development.

According to the Swedish Taxpayers' Association, the tax burden rose to 53.7 per cent of GDP in 1996. Björn Tarras-Wahlberg, the association's managing director, says the weakness of the current system is not the amount of tax paid by the wealthy but the size of the imposition levied on lower income groups.

"We have never had such high taxes on low and middle-income earners in Sweden as now," he says. "The problem is that welfare provision is over-generous and extends to too wide a range of people."

The munificence of Sweden's welfare state is well-documented. In 1996 the country spent 46 per cent of GDP on welfare as defined by the OECD – more than any other country. Most is funded via Sweden's big public sector: public spending amounted to 63 per cent of GDP in 1996.

Opponents of high taxes, ranging from industry to the centre-right political opposition, blame the current framework for serious structural economic weaknesses.

The tax regime, they say, impedes growth among small to medium-sized companies (of which Sweden suffers from a relative dearth) and depresses private consumption, thus acting as a brake on economic growth.

Mr Tarras-Wahlberg argues high taxes have helped entrench high unemployment by reducing incentives to work as well as by inflating labour costs. Employers must pay 33 per cent of employee remuneration into social insurance funds and a further 6-8 per cent to cover costs of complementary pensions.

A vaunted cross-party tax reform in 1991 did address some of the system's anomalies. The top marginal income tax rate was reduced from close to 100 per cent to a saner 51 per cent. Wealth, capital gains and corporate tax wedges were also cut appreciably.

Since then, though, tax burdens have crept slowly upwards again. According to the taxpayers' association, taxes have risen by the equivalent of 4 per cent of GDP since the current Social Democratic government took power in 1994.

Prime minister Göran Persson argues tax hikes have been an unavoidable element of the government's budget deficit reduction drive. He hints that tax cuts will be considered for low and middle-income earners during the next parliament, assuming the SDP wins September's election.

Significantly, though, he insists there will be no room for tax cuts until the government has restored welfare services and education to former standards following the cuts of recent years.

Ministers maintain broad public support exists for prevailing tax policy.

"I am not against lower taxes, of course not," Mr Persson says. "But Swedes realise the connection between taxes and quality in the public sector."

Stefan Fölster, economist at the Research Institute for Industrial Economics in Stockholm, warns Sweden's tax and welfare infrastructure will become unworkable unless reformed. Current rules, he says, fail to address the looming impact of demographic change.

Confronted by a low birth rate and an ageing population, future governments will have to increase spending on pensions and care for the elderly.

Mr Fölster argues this will require repeated tax hikes unless welfare services are privatised and people encouraged to take out private social insurance. "Even if some people believe the current system is sustainable, it certainly won't be in 20 years," he says.

The government is not deaf to such concerns. In the biggest shake-up of the state pension system for nearly 40 years – finalised recently – it unveiled plans to increase the private sector's role in pension provision. Under the existing system, everyone receives a basic state pension and an earnings-related top-up. Payments are based on the best 15 years of a person's working life.

The new system will remain based on the pay-as-you-go principle but will involve each individual paying contributions into an individual account on which his or her eventual pension will be based.

State pension funds have until now had exclusive control over how money is invested; henceforth, individuals will be able to allocate a small part of their contributions as they wish, for instance by investing in private funds.

Mr Fölster says the reform lays a framework for a wider and more radical private sector role in pension provision in the future. But, he observes, "whether it happens depends on whether the political will is there".

Development of taxes in Sweden

	1983	1991	1994	1997
Total tax pressure (% of GDP)	50.6	52.8	49.8	54.2
Top marginal tax (SEK 20,000-22,500 per month 1998)	84.0	51.0	52.0	59.2
General marginal tax	63.1	34.1	35.4	35.8
Pay roll taxes	36.3	38.0	[illegible]	34.9
VAT	23.5	25	[illegible]	25
Corporate tax	52	[illegible]	28	28
Real estate taxes				
Private houses	25.2 - 7.2[1]	1.2	1.5	1.7
Apartment houses	1.8	2.5	1.5	1.7
Office buildings	1.0	3.5[2]	0	1.0
Manufacturing facilities	0	0	0	0.5
Wealth tax	2.5 - 4.0[3]	1.54 - 2.5	[illegible]	1.5
Capital gains taxes				
Tax on dividends (Swedish shares)	[illegible]	30	0	30
Tax on capital gains (Swedish shares)	24-34[4]	30	12.5	30
Tax on interest income	[illegible]	30	30	[illegible]
Special wealth tax on pension funds				
Contractual pensions	0	10	9[5]	15
Private pensions	0	15	9	15

1. The tax rate for the lowest as well as the highest taxation interval calculated for a marginal tax rate of 84% 2. Temporarily raised during 1991 and 1992 3. The tax rate for the lowest to the highest interval. Temporary raise of the tax rate by one p.p for 1983 4. 24% for longer possession than two years 5. The tax rate from 1994 and onwards is not calculated with actual return, but with risk free interest rates as point of departure

Source: The Swedish Taxpayers' Association

STOCK MARKET • by Tim Burt

Special partners sought

Stockholm wants to be at heart of the pan-Nordic market to woo the big players

Bengt Ryden has ambitious plans for the Stockholm stock market. If the president of the bourse gets his way, the region's largest exchange will become the centrepiece of a pan-Nordic capital market – offering trading services from equities to derivatives and bonds.

Through a series of deals and alliances, he hopes to ensure that the bourse can defend its market share in the face of mounting international competition.

The strategy – if successful – should encourage large Swedish companies to retain a Stockholm listing rather than move elsewhere, and increase the number of mid-sized stocks available to investors. To achieve that, the stock exchange has agreed to a merger with OM Gruppen, the listed Swedish derivatives exchange. The partnership, which initially faced opposition from some leading members of the bourse, will create an integrated operation with equity trading, and futures and options trading.

In a parallel move, Mr Ryden has negotiated a co-operation deal with the Copenhagen bourse to create Europe's first cross-border equities trading market.

"We and other market participants must adopt an international perspective in our operations," he says.

The tie ups with OM and Copenhagen could pave the way for links with Oslo and Helsinki, although neither has responded positively to overtures from Stockholm.

The reason for all this matchmaking is simple. Stockholm, where daily trading volumes rose above 20m shares last year, has realised that consolidation is inevitable in Europe. There are 14 different trading systems in Scandinavia alone, many of which need upgrading and are fairly illiquid.

Mergers and alliances have to take place, particularly if markets such as Stockholm are to retain listings by some of the country's largest companies, many of them already quoted overseas in New York or London.

At the same time, the stock market has to make itself an attractive proposition to overseas investors.

In the past five years, non-Swedish investors have increased their stake in listed Swedish companies from 10 to 30 per cent. But they are highly mobile and could reduce their holdings if turnover proved too thin or returns too poor.

Given that earnings growth is set to slow this year, the market will have to offer incentives to retain large institutional investors.

Exchange officials point out that the market rose 25 per cent last year and the Affarsvarden index has broken through the 3,500 barrier in 1998. But overall, the Swedish equity market still underperformed other European bourses by 11 per cent in 1997 – one of the worst performances in the Nordic region.

"Looking ahead, it is difficult to see the market outperforming this year," according to Richard Woodworth, at Merrill Lynch. He fears, along with a number of other analysts, that the market could be undermined by Sweden's decision not to participate in European economic and monetary union.

Certainly, some of the country's largest companies have already signalled their intention to consider listing their stock in euro, even if the government is unwilling – for now – to embrace the single currency.

The bourse is expected to seek government approval to enable Swedish companies to list their shares either in euro or krona, but not both.

Such a move, however, could risk a polarisation between large liquid stocks, quoted in euro, and thinly-traded shares of smaller companies in krona.

Market officials, however, hope that the equity trading alliance with Copenhagen could help increase overall liquidity and kick-start interest in smaller stocks. Unlike Stockholm, which is heavily weighted to large corporations, Copenhagen has a broad spread of small and medium-sized companies.

By enabling investors to trade in Danish shares in Stockholm, the market could increase its turnover of smaller and faster growing stocks. That, at least is the aim. Putting it into practice may be a different matter.

Other bourses will not sit idly by while Stockholm and Copenhagen try to create a pan-Nordic market with a captive client base of technology, paper and engineering stocks – to name but a few. Rivals in London, Frankfurt and Paris will be keen to woo the likes of Ericsson or Volvo, and may claim that they offer better access to capital and much higher liquidity.

The idea of creating a pan-Nordic market may be obstructed, moreover, by cultural and psychological reluctance on the part of Oslo and Helsinki. Neither will want to surrender their independence if the link-up appears dominated by Stockholm.

But the need to cut costs and upgrade systems will probably overcome their reservations. If the four Nordic exchanges could agree on a joint axis, each could share the benefits of a common trading system.

OM, for example, has already forged a link with the Oslo stock exchanges derivatives market and has an agreement with Helsinki for clearing bond futures. If, like Stockholm, they adopted OM's new SAX-2000 electronic trading system there would be significant cost savings and improved liquidity for all.

"By integrating our marketplace for cash equity trading and options and futures trading, we have the opportunity to continue to play an important role in the global capital market," according to Per Larsson, chief executive of OM.

Announcing the merger with the Stockholm bourse, he said the deal would strengthen the Swedish capital as a leading financial centre in Europe.

The objective is to "create a continuously developing international marketplace for trading in stocks, bonds, commodities, foreign exchange and derivatives".

Although it has not yet become a do or die situation for the Nordic markets, Stockholm has clearly taken a step in preserving its role as the region's leading financial centre. Sooner or later, market forces will persuade the others to join in. Failure to do so risks them becoming marginalised on the northern fringes of Europe.

PROFILE The Wallenbergs

Long reign for other royal family

Industrial dynasty boasts dynamic management style and an ability to adapt to change

According to the chief executive of one large Swedish investment group, the Scandinavian kingdom has two royal families – "and only one of them wields real power, the Wallenbergs."

Family members of the industrial dynasty, which has stakes in companies accounting for 43 per cent of the Swedish stock market, hate such comparisons. Although their name has become a by-word for a management style built on long-term ownership, the family prefers to remain in the background – exercising discreet control, not flaunting their wealth.

Critics claim that their influence, controlling companies such as engineering groups SKF and Atlas Copco for more than 80 years, has stifled management independence and led to inertia among companies which should have been sold or merged decades ago.

That view is too simplistic. And it fails to recognise the Wallenberg mantra, which is based on developing industrial interests through peaks and trough in the cycle – applying surgery in the bad times and reinvesting profits in the good times.

Also, the family – through Investor, its main investment vehicle – has not been totally passive in refreshing the portfolio. In recent years, it has sharply increased spending on overseas stocks and concentrated on three core areas of telecommunications, medical products and information technology.

"We decided long ago that the only tradition worth preserving is the ability to change from the old to the new," says Claes Dahlbäck, chief executive of Investor for the past 20 years.

He points out that Astra, the pharmaceuticals group, Ericsson – one of the world's largest manufacturers of mobile phones – and Gambro, the medical technology business, together account for 55 per cent of the Investor portfolio – all strong growth companies.

Peter Wallenberg (top) is informed of changes. His son Jacob (bottom right) holds an influential position. Claes Dahlbäck rejects claims that the Wallenbergs resist change

Mr Dahlbäck also rejects suggestions that the Wallenbergs resist change. As an example, he cites Incentive – the family industrial vehicle and parent of Gambro – which has spent more than six years refashioning itself from a loose-knit group of manufacturing businesses into a focused med-tech company, with most of its operations in the US.

"The family has not been driving this with no thought to shareholder value," he adds. "The compound return to shareholders has been 20 per cent a year over the past 25 years."

In the past year, moreover, the pace of change has been dramatically stepped up following the arrival of Percy Barnevik, the mercurial Swedish industrialist, as the new chairman of Investor.

In recent months, Mr Barnevik has announced a shake-up in corporate governance among Investor-controlled companies, recruited international executives to their boards – among them the president of Sony and chairman of Heineken – and declared 15 per cent of the portfolio non-core.

At the same time, the family has announced its intention to float Saab, its wholly-owned aerospace subsidiary, and sharply increase its private equity investments.

Mr Barnevik, also chairman of the Swiss-Swedish engineering group ABB, has told investors: "This is not some vague idea of new guidelines; this time we are going to walk the talk."

In perhaps the most significant move of his "quiet revolution", the family has signalled its readiness to address the anomaly of separately quoted A and B shares. The system of split voting rights and equity has enabled the family to exercise effective control of some of the country's largest corporations while holding relatively little of the equity capital.

But the Wallenbergs are not surrendering control or fighting a rearguard action against reform. Insiders at Investor, and indeed senior members of the family, say that all the changes have had the blessing of Peter Wallenberg, Mr Barnevik's predecessor and the family patriarch.

"The family fully subscribes to what we are doing and Peter is informed of all the changes," according to Mr Dahlbäck.

And far from loosening their links with the portfolio, the family has ensured that its two crown princes – Jacob and Marcus Wallenberg – have been given influential boardroom positions.

Jacob, Peter's son, is currently chairman of Skandinaviska Enskilda Banken – the family's financial flagship – and will shortly join the board of Electrolux and Investor.

Marcus, Peter's nephew, is already chief financial officer of Investor and deputy chairman of Saab. He is also becoming deputy chairman of Stora, the paper group.

The boys, as they are known around Investor's Stockholm headquarters, are clearly being groomed for the top job when it becomes available. Educated at American business schools and apprenticed in different parts of the empire, they now represent the new generation of Wallenbergs in Swedish industry.

They are both too modest to admit it, of course, but both would like to succeed Mr Barnevik.

Given the huge restructuring he undertook at ABB – cutting 60,000 jobs and investing headlong in emerging markets – some analysts believe that Mr Barnevik may tire of Investor before long. The succession issue may, therefore, need to be resolved sooner rather than later.

Before that happens, investors may want clear proof that the family is committed to faster growth stocks and is ready to withdraw from laggards, such as Saab Automobile.

"No-one really knows how much Barnevik has brought the boys into his inner circle," says one Stockholm-based analyst. "The changes so far have been somewhat cosmetic and the record on selling companies has been mixed."

That is a charge rejected outright by Investor. Mr Dahlbäck admits that Percy Barnevik is "less patient and uses the overdrive more than we have in the past"; but he claims that the family have been dynamic owners of Swedish companies.

"What you are seeing is an acceleration of the management philosophy we have operated for years," he adds. "Besides, having a long-term view is not a bad thing. Microsoft and Netscape might not be around for 100 years, but we will be."

Tim Burt

COMPETITIVENESS • by Greg McIvor

Tax burden may prompt an exodus

Personal, not corporate, taxes are causing companies to look abroad

Something is surely amiss when Sweden's largest and most successful company threatens to move its headquarters abroad in protest at high domestic taxes and a purportedly poor business climate.

Telecommunications group Ericsson's announced last month it may shift head office functions to London to escape Sweden's tax regime. In so doing it reignited a festering dispute between industry leaders and government ministers over business conditions for the country's largest corporations.

In spite of several international surveys showing that Sweden scores highly as an inward investment location, several leading domestic companies are in open rebellion over tax rules which they say impede recruitment of international managers and are to blame for an exodus of top scientists.

Besides Ericsson, pharmaceuticals group Astra and paper producer SCA are among a string of companies known actively to be considering switching more of their operations overseas. Industry insiders suggest others may follow suit.

"Swedish companies are falling behind in international competitiveness," says the chief executive of one large listed group. "It is quite obvious from looking at the tax situation that it is cheaper to employ people outside the country than inside. That is a crucial problem."

That Swedish companies are expanding abroad faster than at home is not new. The trend merely reflects the reality of globalisation as well as the Swedish market's small size.

Companies like SKF, the industrial steel bearings group, and Electrolux, the world's largest white goods supplier, today have a far larger proportion of their workforces outside Sweden than inside.

What is new, though, is that companies are considering moving key headquarters functions outside Sweden. A recent survey by the Swedish National Board for Industrial and Technical Development revealed that one-fifth of the chief executives of Sweden's 500 largest quoted groups thought their companies would move headquarters abroad within five years.

The companies' grouse is not about tax on corporate profits, which at 28 per cent is among Europe's lowest. Rather, companies are protesting about income tax levels and, to a lesser extent, high payroll taxes.

Personal tax wedges are unquestionably high. The average basic income tax rate is 31.7 per cent; anyone earning in excess of SKr209,100 pays more, up to a top rate of 59 per cent. Employers must pay 33 per cent of an employee's salary to state social insurance funds, and an additional 6-8 per cent to complementary pension schemes.

Lars Ramqvist, Ericsson's chairman, argues the tax burden is seriously undermining Sweden's status as a business location. High income taxes make it virtually impossible, he says, for Ericsson to attract foreign executives to work in Sweden. The company could simply increase salaries to such people but Mr Ramqvist fears this would shatter internal wage structures and deplete morale among Swedish-based staff.

Government ministers display little overt sympathy with such concerns. "It is a myth that Sweden has a poor business climate. The figures contradict it and look at the growth in the multinationals we have had," declares Thomas Ostros, taxation minister. Income tax levels, he adds, are "reasonable for a country with high ambitions in the welfare sector."

Behind the scenes, though, senior government figures recognise the potential damage if Ericsson, as Sweden's biggest private sector employer, was to uproot during a general election year. Finance ministry officials are currently working on a system of tax breaks for foreign expatriates on temporary placements in Sweden.

Whether this will pacify the big corporations remains to be seen. The risk is it may not. Hakan Mogren, Astra's chief executive, has already warned the proposal would create an undesirable two-tier structure between Swedish and overseas staff.

For all the hullabaloo over income tax, Sweden remains a highly rated destination for inward investment. According to the United Nations, Sweden was the second-largest per capita recipient of foreign direct investment in the OECD in 1996, after Belgium.

A recent study by KPMG, the international accountancy group, ranked Sweden's foreign investment climate superior to that in the US, the UK, Germany, France and Italy.

For years Sweden was exposed to a net outflow of direct investment, due largely to big external investments made by the large exporters. In 1993, however, a net inflow was recorded for the first time in 25 years and the surpluses have continued since.

Several factors have assisted the turnaround. Starting in the late 1980s, financial deregulation and the abolition of restrictions on foreign shareholdings attracted more foreign capital. Liberalisation of sectors like telecommunications, energy and transport has improved business infrastructure by lowering costs and improving efficiency of services.

"The tax situation is quite good from a corporate point of view," says the Swedish chief executive of a US computer software group which moved to Sweden in 1995. "We have good access to skilled labour which is good in this industry and most people are fluent in English."

The sentiment is shared by Carl-Göran Myrin, chief executive of the Swedish division of Siemens, the German electronics group. "Sweden's problems are very much European problems," he remarks. Obstacles cited by domestic companies such as high taxation, rigid labour markets and high labour costs are encountered widely in Europe, he says.

Mr Myrin concedes, though, that Siemens must pay "a very substantial premium" to non-Swedes working temporarily in the country and "we can only do so in exceptional circumstances". Reversing that imbalance could only help Sweden's long-term competitiveness.

هكذا من الأصل

هكذا من الاصل

AUTOMOTIVE INDUSTRY • by Greg McIvor

Cruising on the side road

Lack of scale is making it difficult to find investment

For a country of just 8.8m people, Sweden has been remarkably successful in nurturing a strong national motor industry. Its three vehicle producers – Volvo, Saab Automobile and Scania – are global brands, associated with high engineering and safety standards.

But the halcyon post-war era in which Sweden cultivated this heritage is past. The automotive trio are smallish players in a mass market characterised by intense competition, over-capacity, and where size is vital to fund the huge investments needed to develop new models.

The question increasingly asked is: can the Swedes survive alone? Last year Volvo sold 386,000 cars, Saab a meagre 100,000. European car analysts suggest annual production of about 500,000 units is required for the critical mass needed to finance development of new models and safeguard long-term profitability.

Volvo's former chairman, Pehr Gyllenhammar, used to argue the company was too small to go-it-alone in an ever tougher market. When he quit the company in 1993 following the collapse of its planned merger with France's Renault, Mr Gyllenhammar predicted Volvo would struggle.

So far, Volvo has confounded this prophecy. The Gothenburg-based group made pre-tax profits last year of SKr13.2bn on sales of SKr184bn. Since Mr Gyllenhammar's departure, it has changed course, divesting non-core interests worth billions of kronor acquired under the old regime.

Businesses ranging from pharmaceuticals to soft drinks have been sold, spawning a new streamlined group focused on core automotive operations. Management, led by ex-Electrolux boss Leif Johansson, firmly believes Volvo can carve out a viable future as a stand-alone producer oriented to niche markets.

Volvo currently has four models: its mid-sized S40/V40 saloon, the larger S70/V70, the C70 coupe, and the top-of-the-range S90/V90 – which is being replaced this year. The strategy is to cement a market position as an independent luxury car producer while being open to collaboration with other automotive producers.

The Dutch-built S40/V40, for example, is constructed on the same platform and on the same production line as Mitsubishi's Carisma. The partnership with the Japanese company was recently extended to truck manufacture and the development of a new car platform. Volvo has also announced plans to fit the Mitsubishi's fuel-efficient direct-injection motors to the S40/V40.

Joint development cuts costs. But whether Volvo, sitting on a SKr20bn cash pile, has the long-term strength to fund the heavy costs of own-product development remains to be seen.

At any rate, its future looks more secure than that of rival Saab. Jointly owned by General Motors of the US and Investor, the Wallenberg family-controlled investment company, Saab has been struggling since the late 1980s.

Losses have totalled SKr12bn since GM acquired a 50 per cent stake from Investor and took over Saab's management in 1989.

"Everyone involved with the company has recognised that it is too small and too specialised to sustain an international distribution network with the kind of volumes currently being produced," says John Lawson, motor industry specialist at Salomon Smith Barney in London. He argues Saab should focus on fewer markets or "get into bed with GM".

Investor, chaired since last year by Percy Barnevik, who also chairs the Zurich-based engineering group ABB, is keen to reduce its dependence on cyclical, heavy industries and move into higher growth sectors.

GM has an option to buy Investor's 50 per cent holding in 1999, while Investor has an option enabling it to force GM to buy half of its stake. All the signs are that Investor will exercise its option and reduce its holding.

Lothar Lubinetzki, European auto analyst at Skandinaviska Enskilda Banken, says: "My personal guess is that GM will take over Saab. If Saab is going to become successful it must be more integrated into GM.

"Saab already relies heavily on GM for components; making the company a wholly-owned GM subsidiary would strengthen that bond. However, cosying up too close to GM risks devaluing Saab's premium image."

Worryingly for Saab – and GM – that moment may already be at hand. "Saab's platform steering and suspensions already rely heavily on GM and there is a suspicion that current Saab models are simply Opel Vectras in a different guise," says Mr Lawson.

Yet the alternative – remaining independent – is hardly appealing. According to Standard and Poor's world car forecasts, Saab will produce 114,000 vehicles this year and 128,000 in 1999. Robert Hendry, Saab's US chief executive, says break-even is 130,000.

The 9-5, launched last autumn, has been favourably received. But whether it can propel production volumes to Saab's 150,000-unit target is uncertain.

For truck maker Scania, the outlook is less critical although it too has gone through difficult times in the past year or so. Since a much-trumpeted initial public offering in March 1996, when Investor floated a 55 per cent stake, it has seen profits slump and margins squeezed.

First, the launch of its new 4-series truck proved more costly than expected and failed to generate the profitability Scania had hoped. At the same time, Scania – for years the world's most profitable truck producer – encountered fierce price competition from rival suppliers.

The operating margin tumbled from 14 per cent in 1994-95 to 7.4 per cent in 1996-97. This is despite an increase in average annual production from 154,000 units to 171,000 units in the period.

Chief executive Leif Östling offers scant prospect of much near-term improvement. He said earlier this year he saw no indication of a rebound in prices, at least before the end of this year or the start of 1999.

Such forecasts have not helped Scania's share price. Since the IPO, Scania's stock has underperformed the Swedish equity market by about 30 per cent.

The problem is not demand. Indeed, the European truck market last year was only about 10 per cent off its all-time high of 190,000, recorded in 1989.

Nevertheless, the launch of Scania's 4-series, although priced at 4-7 per cent above its predecessor, has been a disappointment. Its higher specifications make it more expensive to build, at the same time as the market is increasingly demanding lower specification, lower-cost models.

"Scania is probably the strongest brand globally in heavy trucks. But its margins have halved, it is heavily indebted with capital gearing of over 100 per cent, and it is not generating cash," said Lehman Brothers in a recent report.

What, then, is the road ahead? One route would be to widen the product range by moving more aggressively into buses and medium-sized trucks.

Alternatively, Scania could team up with another supplier. Talks were held with Volkswagen last year over the joint development of a mid-sized truck.

Scania distributes the German company's products in Sweden but the talks concluded without result. Should Scania's profits growth continue to flag, it might be persuaded to explore this path again.

The halcyon post-war era of Sweden's strong national vehicle industry has ended

Photo: Veronica Garbutt

PROFILE Astra

Heart is not at home

Astra, the pharmaceuticals group, may be based in Sweden but its heart lies overseas.

The company, one of the country's largest and most profitable corporations, employs only a third of its 22,200 staff at home. Last year, 94 per cent of the group's SKr44.9bn sales were outside Sweden. Board meetings and senior management discussions are conducted in English, and the group is investing heavily in research facilities in the US and UK.

Astra's global perspective, focused mainly on the US, is typical of the increasingly international outlook of Sweden's leading industrial groups.

Flagship companies such as Ericsson, Electrolux, Volvo and Scania have outgrown Scandinavia. And some of them – notably Ericsson, the country's single largest exporter – are considering relocating their headquarters.

Hakan Mogren, Astra's chief executive for the past 10 years, says such companies will become – even more stateless with the introduction of the euro and higher overseas sales.

"It is not easy to be an international player based on a currency changing as much as the Swedish krona," he says.

Astra, like many other large Swedish groups, is considering switching its accounting and share capital to the euro – although no final decision has been taken.

Mr Mogren – who also sits on the board of Stora, the paper group, and both Investor and Incentive, the two arms of the Wallenberg business empire – believes Sweden should join the single currency without delay.

He does not criticise the Social Democrat government directly, but his dismay at its wait-and-see approach to Emu and its taxation policies is plain to see.

Astra has complained that Sweden's high personal taxation levels make it more difficult to recruit foreign scientists, forcing the company to invest in R&D facilities overseas.

That effort is concentrated in the US, where Astra's sales rose 38 per cent last year. The increase was fuelled mainly by Losec, the company's blockbuster anti-ulcer drug.

Losec last year contributed SKr21.5bn to Astra's turnover and a large chunk of its SKr14.3bn pre-tax profits, up from SKr13.2bn in 1996.

Hakan Mogren: "companies will become stateless"

Its success has helped lift Astra's share price by more than 30 per cent a year in each of the past 10 years.

The challenge ahead is for Astra to reduce its dependence on Losec – which is marketed in the US by Merck, the North American pharmaceutical group. It must do so because the product's patent protection begins to expire in 2001.

That prospect has unnerved some pharmaceutical analysts, who fear a sharp drop in Losec sales after the turn of the century.

But Mr Mogren claims that Astra has far more patent protection than industry followers suspect. Any decline in Losec sales, he says, will be gradual because patents expire in different markets at different times.

Drug manufacturers hoping to produce thinly-veiled copies of Losec, moreover, may find that the product has additional patent protection over its formulation. Furthermore, the next generation of the anti-ulcer agent – in tablet form – has patents stretching well into the next century.

Mr Mogren stresses that he is not complacent. There has been a heavy investment in new products, with R&D spending rising from 15 per cent of sales in 1994 to almost 20 per cent today.

He also recognises that Astra cannot stand alone, as a Swedish company, in the rapidly globalising pharmaceutical industry. While emphasising organic growth in the near term, he has raised the prospect of a large-scale merger.

Zeneca, Bayer and Schering-Plough have all been touted as possible suitors in a marriage of equals. But Astra would have to renegotiate its existing marketing alliance with Merck if it wanted to pursue them.

Given the Swedish group's large exposure to the US, it certainly would not pay to upset Merck. Indeed, an extension of that relationship might prove a more profitable route for Astra's international ambitions.

The two companies are discussing ways of developing existing ties, which could involve an exchange of products and a broader alliance.

From a management point of view, Astra's experience in the US has been distinctly mixed. Its operations have been hugely profitable, but the cost to the company's reputation has been high.

Astra USA, the group's wholly-owned subsidiary, was last year at the centre of a sexual harassment scandal.

Lars Bildman, the subsidiary's former president, was sacked and subsequently jailed for fraud and embezzlement. And the parent company was forced to establish a $9.85m fund to settle sexual harassment claims brought by the US Equal Employment Opportunity Commission.

Mr Morgen regards the affair as a salutary management lesson in how a subsidary – separated from its parent by thousands of miles – can escape proper scrutiny.

"This situation has been a great embarrassment, and we could have handled it differently," he admits.

The story, uncovered by the US magazine Business Week, scandalised the Swedish media. But Astra claims it caused barely a ripple overseas. "Internationally no-one cares, the analysts certainly don't," says Mr Mogren.

According to Astra's chief executive, investors are much more concerned with the group's international growth strategy. "More than 45 per cent of our shares are held overseas," he adds. "Those institutional investors regard us as an international player and I am not going to disappoint them."

Tim Burt

CULTURAL CAPITAL OF EUROPE • by Tim Burt

Plans for a lively cocktail of creativity

The capital has sought to break with clichéd images - and stay in budget

In one of the more bizarre exhibitions of Stockholm '98, a young artist used a city centre store to mount a rather macabre protest against the death penalty in the US.

Several dozen soiled underpants were mounted in the display window, each inscribed with the name of an executed inmate – along with the details of their last meal.

"That was very strong, you have to admit," says one organiser at the Cultural Capital of Europe, the year-long accolade hosted this year by Stockholm. "At least it got people asking themselves is this culture or not."

Although the festival is not yet four months old, supporters of the project claim it has already become a source of national pride following a distinctly lacklustre performance last year by Thessaloniki in Greece.

Given that some of Thessaloniki's expenditure is now the subject of government and European Commission investigations, the organisers of Stockholm '98 admit they have to produce a lively cocktail of exhibitions and performing arts without incurring any overspending.

Indeed, cuts have already been ordered in overseas travel, distribution of marketing material and aid to some projects. "It is against our national culture to overspend; it would be seen as a failure," according to one senior official.

Since the 300-page programme was announced last autumn, the number of scheduled events has increased from 1,000 to 1,700. That has led to strict rationing of resources and an appeal to artistic directors to generate some of their own funding.

"Swedes have traditionally expected someone else to foot the bill, so this will be a good discipline," says one Stockholm-based art critic.

The cutbacks signal that Stockholm '98 is in danger of becoming a victim of its own success. It set out to re-awaken cultural awareness that has been dormant in many parts of the country. But it has been so overwhelmed with requests for venues and show times, that many projects have been left disappointed or struggling to raise the necessary finance.

Of the Skr460m budget, Skr150m has been provided by central government; Skr200m from city authorities; a further Skr50m from the local county; and a mere Skr10m from the European Commission. The remainder has been raised from sponsors such as Finnair and BMW.

Beate Sydhoff, programme director for the whole event, acknowledges the financial constraints but remains undaunted.

"There is enormous pressure on us to show it can be done, and more importantly to get rid of the nostalgic idea that we have nothing to show but clean air and a lot of water," she adds.

So Stockholm is filling up its 70 theatres and 60 museums with a constant stream of new shows and innovative art works. Even museums usually dedicated to areas such as science and technology are opening their doors to contemporary art shows.

There have, of course, been some disappointments. The mild winter left the so-called Ice Pavilion erected on the city waterfront looking rather grubby and forlorn. And audience numbers at the recent jazz festival were well below expectations.

But the statistics gathered so far tell a different story. Hotel occupancy in January was up 35 per cent; more than 130,000 people visited the Ice Pavilion, even if it was melting; and a collection of artists billboards around the city was seen by an estimated 60,000 residents and tourists.

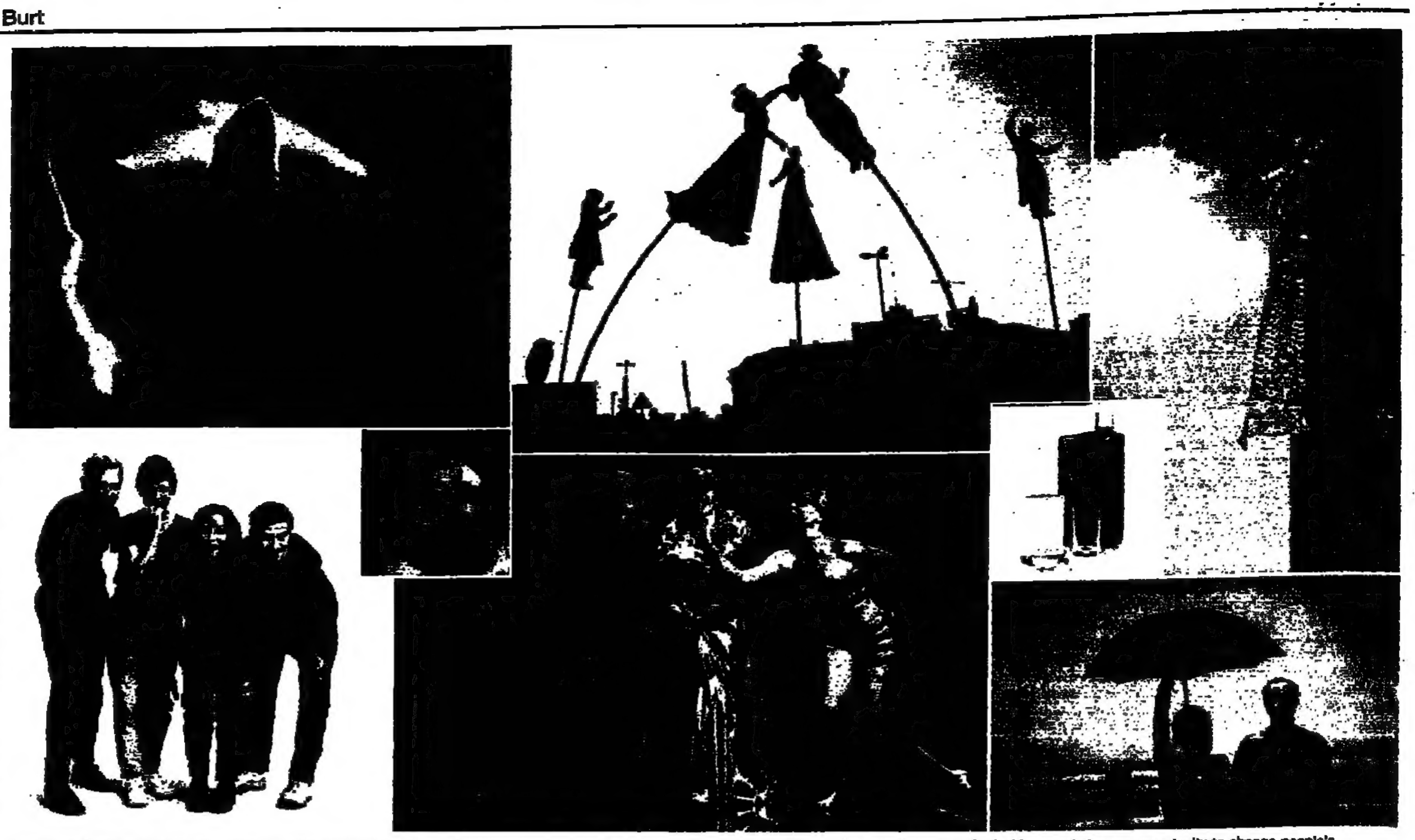
Next month, 400 new events will be launched as part of a summer festival based largely outdoors and around Stockholm's handsome inlets. An armada of sailing vessels, from Viking longboats to square riggers, are expected in port during the summer.

Success or failure will be hard to measure. Either way, Ms Sydhoff hopes it will prove that Swedes can break away from the cliché image of producing safe cars, stylish furniture and fine tennis players. "This is an opportunity to change people's perceptions and I am sure we can do it. We can use our rather black and stubborn humour to our benefit," she adds.

If Stockholm '98 proves to be a success it could persuade Europe's culture ministers, who award the annual accolade, to reconsider future proposals to switch the event from a single city to several.

To mark the millennium, nine cities will share the title of European cultural capital. But thereafter it could return to a single site.

The organisers of Stockholm's cultural festival believe that only one city at a time can make it work. Ms Sydhoff sums it up, saying: "If you want to attract international interest and political backing you must focus on one area. Nothing works unless you are your own master."



As Cultural Capital of Europe, Stockholm is filling up its 60 theatres and museums with a constrant stream of new events and innovative arts shows. The festival is regarded as an opportunity to change people's perceptions about the city. For details call 00 46-8-698-1998. *Photos top from left to right: montage PS, Anna G. Tufvesson; Patrick Müller; Insets from left: Mikael Silkeberg; Fabian Bjornstjerna; Bottom from left: Mats Bäcker; Lesley Leslie-Spinks; Mats Bäcker*

NUCLEAR ENERGY • by Hilary Barnes

Powerhouse politics

The government is committed to a programme of closing down 12 nuclear reactors

In a normal year, about half of Sweden's electric power is produced by 12 commercial nuclear reactors. Most of the remaining power is produced by turbines driven by water in the country's many rivers. This gives Sweden one of the lowest per capita emissions of greenhouse gases in Europe, as well as cheap electricity for its power-intensive metal, forest and chemical industries.

To the bemusement of outsiders and the consternation of Swedish industry, including the blue-collar industrial trade unions, the government is committed to a programme of decommissioning the reactors. This decommissioning programme is the result of an agreement between the governing Social Democratic Party, the strongly anti-nuclear Centre Party and the Left Party, successors, at one or two removes, to the Swedish Communist Party.

The government wants to replace the loss in generating capacity as a result of closing down the reactors, by power produced primarily from "sustainable" resources – sun, wind, and biomass. Realistically, however, natural gas from Norway and Russia will almost certainly be the main means of generating replacement power.

No date has been announced for the final phasing out of nuclear power production, but to show that it means business, the government has stated that the two reactors at Barsebäch, owned by Sydkraft, a private power utility based in Malmo, will be the first to be closed.

The order to close the first reactor, Barsebäch 1, was given in January, to take effect from July 1, just 10 weeks before the elections to the Riksdag are due to be held. Barsebäch 2 will be closed in 2001, if the government has its way.

Sydkraft, of which the German power utility Preussen Elektra owns 27 per cent, is fighting the decision.

The decision was taken by the government in accordance with enabling legislation in December last year. This means that the government can order the closure of nuclear power facilities without referring back to the Riksdag.

But Sydkraft has appealed against the closure order to the Supreme Administrative Court (Regeringsrtten), which exercises some of the functions of a constitutional court, alleging that the order is in conflict on several counts with Swedish and European law. Sydkraft argues that the closure order should not be implemented until the legality of the order has been clarified before the European Court and the Swedish courts.

The nuclear issue has bedevilled Swedish politics for almost 25 years. There are two main explanations for this.

The first is that the most adamantly anti-nuclear party, the Centre Party, has since 1994 often held the balance between left and right in the Riksdag, and may well be in that position again after September's election. The party has skilfully exploited its position to advance its anti-nuclear strategy.

Thus, the agreement between the government, the Centre Party and the Left Party ensured that the Social Democrats would have the support of the Centre Party for their economic and social legislation in the Riksdag. The agreement may well play a crucial role in keeping the Social Democrats in power after September's Riksdag election.

The second explanation is that in 1980, shortly after the Three Mile Island nuclear accident in the US, Sweden called a referendum on the future of the reactor programme. Voters could choose between one of three wordy options, which were roughly: to keep the reactors going, to close them, or to close them if certain conditions were met. One condition was that closure would not cause serious economic disruption and render important industries uncompetitive.

A majority of voters opted for the second and third options taken together, but the result of the referendum was so vague that a clear policy was laid down by a subsequent Riksdag resolution to the effect that the reactors should be phased out by 2010. By naming a date, the Riksdag made sure that the issue would remain on the political agenda for a generation.

Göran Persson, the prime minister, received the endorsement of his own Social Democratic Party at a special congress on the reactor closure programme. The industrial trade unions, which in earlier generations had dominated the labour movement, were opposed to the closure programme but they are now in a minority and were voted down by public sector employees and by the Social Democratic Women's Movement.

Industrial leaders denounced the decision in a declaration signed by 102 business people last year. They described the closure plan as a "unique act of capital destruction". Industry argues that closure will mean an increase in power prices and hence will endanger the future of some of Sweden's core industries.

Taking out the two Barsebck reactors will (all other matters being equal) reduce Sweden's generation of electric power by about 6 per cent and Nordic power production by about 1 per cent. The government has started a programme of energy savings and alternative supply which will, it claims, make up for about 6tWh (tera watt hours) of the 8tWh which will disappear with the closure of the two reactors.

Karl-Axel Edin, energy expert at the Federation of Swedish Industries, disputes this claim. He estimated last year that the government measures were unlikely to make up more than 2tWh.

How much the closures will cost is another vexed issue. The government has not published any estimates of the cost on the grounds that it does not want to weaken its position in compensation negotiations with Sydkraft.

Mr Edin has put the cost at around SKr30bn (US$3.75bn), or, he calculated, SKr10,000 (US$1,252) per household. This includes one-off closure costs of about SKr20bn and SKr10bn for investment in energy-saving and alternative supplies.

The final irony is that public opinion, which cast a sceptical vote in the 1980 referendum and supported closure for most of the 1980s, has changed again. It has swung back in favour of keeping the reactors in operation for the rest of their useful lives, according to opinion polls over the past year. But there is no evidence that this will be reflected in the electorates' party-political preferences when they vote in the Riksdag election in September.

هكذا من الأصل

ELECTION '98 • by Greg McIvor

Economic revival timely for SDP

An upswing has restricted the ammunition available to the opposition

For the first time in a decade, the Swedish general election in September will be contested against a backdrop of improving economic prosperity rather than of glowering financial crisis.

Three-and-a-half years of fiscal retrenchment have restored stability to the country's public finances and helped resuscitate an economy which has struggled through much of the 1990s to move out of first gear.

The revival could scarcely be better timed for the minority Social Democratic party administration. Having endured an alarming slump in popularity since the 1994 election, its support has recovered somewhat in tune with the economic upswing.

Disposable incomes are predicted to rise this year for the first time since 1994. The official unemployment figure – a millstone around the SDP's neck – is finally starting to fall, albeit from near-record heights.

Headed by Göran Persson, who will be fighting his first election as prime minister and party leader after taking over from Ingvar Carlsson in 1996, the SDP believes such trends have handed it the initiative as September's poll beckons.

"Mr Persson can go to the voters and say 'we fulfilled our pledge to sanitise the budget. Now give us four more years to restore full employment'.

That is what people want to hear," says Klas Eklund, chief economist at Skandinaviska Enskilda Banken.

The SDP's eradication of the budget deficit inherited from the previous centre-right government has certainly restricted the ammunition available to the main conservative opposition Moderate party and its centrist Liberal and Christian Democrat allies.

A year ago the Moderates were riding high in the polls and at one point took an unprecedented lead over the SDP, traditionally unchallenged as Sweden's largest political grouping.

Ironically, however, the return of Carl Bildt, the Moderate leader, from a two-year stint as the international peace envoy to Bosnia has coincided with a slow erosion of the party's standing.

Latest polls show the SDP about [illegible] per cent, compared with the 45 per cent it scored in 1994. The Moderates are some 10 points adrift but nonetheless 7 points ahead of their 1994 result.

Mr Bildt has kept an uncharacteristically low profile since his return from Bosnia, apparently keen to cultivate his new-found statesman's image by placing himself above the hurly burly of daily politics.

Yet Mr Bildt, who strongly outscores Mr Persson in personal approval ratings, remains the Moderates' strongest card. His prospects of forming the next government depend, though, not only on his party's performance but on that of the Liberals and Christian Democrats, his coalition partners in 1991-94.

These two remain natural allies but together command only about 12 per cent of the popular vote. Barring a sensation, Mr Bildt would need to rely on the rurally-rooted Centre party to have a chance of forming a viable government.

The Centre, roughly equal in size to the other two centrist parties, was part of the previous Moderate-led coalition. But after the last election it broke ranks with its non-socialist allies and forged a close parliamentary alliance with the SDP.

It is unclear whether the Centre would switch allegiance again were the Moderates, Liberals and Christian Democrats to do well in September.

The likelihood of this happening could hinge on the outcome of a leadership contest in the centre party, following the resignation of Olof Johansson, the architect of the Centre's links with the SDP.

In any case, relations between the pro-green Centre and its erstwhile centre-right allies are prickly. They have been soured in particular by the Centre's close involvement in SDP proposals to decommission the country's big nuclear power industry – a policy decried by the Moderate camp.

Even with the Centre's backing, the centre-right axis will need a substantial swing to secure the 50 per cent of the popular vote it would require to form a government.

"Financial markets expect the Social Democrats to continue as a minority government. But they and the Centre will probably fall short of a majority and will need to rely on other partners," says Peter Lindqvist, Nordic strategist at HSBC Midland in Stockholm.

Investors are unconcerned about such a scenario leading to instability. They view the SDP as better equipped to garner broad support for a minority administration than the Moderates, who would find it difficult to co-operate with the left-wing Green and Left parties.

SE-Banken's Mr Eklund says markets would be more worried were the centre-right to perform well as this might raise the spectre of unfinanced cross-the-board tax cuts.

What, then, will be the key election battleground? Unemployment and lower taxation will be the key themes of the Moderate campaign, while improved welfare services are set to be the SDP's clarion call.

"I don't think the taxation burden will be an issue in the election, although the Moderates will hope to make it so. It is not going to trouble the SDP. The main issues are going to be the old issues of welfare, social security and unemployment benefits," says a top-ranking foreign diplomat in Stockholm.

Having been responsible for sweeping cutbacks in welfare services through its public spending squeeze, the SDP is now promising fresh funding for care services and education.

The party has already pledged Skr16bn of extra welfare spending over four years and is expected to increase spending further when the 1999 budget is unveiled today.

If this sounds like archetypal social democratic politics, it is a theme which apparently goes down well with the public. Opinion surveys suggest better welfare ranks highly among electors' priorities.

Clearly, the SDP is eager for debate to focus on welfare rather than on its Achilles heel of unemployment. Should it succeed in this, its re-election prospects will be enhanced.

PROFILE Carl Bildt

Past master looks ahead

Carl Bildt enhanced his public support during his two-year stint in the Balkans. His challenge now is to convert that favourable personal rating into an election victory

Carl Bildt's office, adjacent to the royal palace in Stockholm, has all the trappings of an international statesman. The former Swedish prime minister sips coffee from a mug embossed with the Nato flag, a keepsake from his days as international peace envoy to Bosnia. A European Union pennant sits on his desk; on the wall behind, there is a framed commendation from the Supreme Allied Commander in Europe.

Public support for Mr Bildt – leader of the Moderate party, Sweden's main conservative opposition – has been greatly enhanced by his two-year stint in the Balkans, where his role ranged from mediating with presidents to negotiating with para-military leaders.

The challenge now is to convert that favourable personal rating into an election victory, enabling him to form a centre-right administration.

When Mr Bildt was last in government, from 1991 to 1994, his tax cutting agenda and attempts to deregulate the labour market coincided with a painful recession. *And many Swedes have not* forgiven him for the austerity measures and unemployment that followed. But the 48-year-old politician – a son-in-law of Gösta Bohman, the veteran Moderate party leader who died last year – is unbowed *by the experience. On the* contrary, he believes that Sweden requires further surgery to cure its welfare dependency.

"This country requires renewal, not more of the same," he says. "Welfare spending needs to be targeted on areas such as health and education, rather than labour market subsidies."

That is a difficult message to sell, especially as the government can argue that it has brought public finances under control and is seeing employment rising for the first time.

But Mr Bildt – the nearest thing Sweden has to a charismatic leader – says more voters now recognise the need for fundamental reforms. The ruling Social Democrats, according to his analysis, are chasing an impossible dream by seeking to re-invent full employment and generous state benefits for all.

Instead, he is trying to persuade Swedes that the country needs to modernise, and quickly. At home, that means diverting spending away from left-leaning municipal authorities and into healthcare and schooling. Under a Moderate government, Sweden's income tax burden would be reduced and the controversial de-commissioning of nuclear power stations halted.

Overseas, Mr Bildt would commit the krona to the European exchange rate mechanism as a precursor to joining the single currency "at the earliest opportunity".

Furthermore, the country would abandon its long-standing non-aligned status and consider taking part in Nato enlargement.

"Our current foreign and security policy is one without logic and it does not have a future," according to Mr Bildt.

If that view is correct, it must be galling for him to watch the Moderate party lose ground in the opinion polls. Since his return from Sarajevo, their support has waned, while the ruling social democrats have staged a mini-recovery.

Nevertheless, the Moderates are still well ahead of their 22.4 per cent showing at the last election. They could, with a strong tailwind and a reverse in current trends, stage an upset by forging a coalition with the Liberals and Christian Democrats, or possibly the Centre party.

So far, however, Mr Bildt has been conspicuous by his low profile in the party dogfight. He explains his absence by pointing to a national tour, mainly to rural areas where the Moderates command less support, to rally party activists and woo new supporters before the election.

At every town hall meeting – from Kiruna in the north to Trelleborg in the south – he preaches the same message. "Our economic record is mixed and there is a creeping feeling that Sweden is lagging behind."

The country has tumbled down the OECD league table for national purchasing power and the Moderates fear it will fall further if Sweden does not embrace change. Party leaders believe Emu-membership and an industrial policy aimed at creating jobs, rather subsidising training, could help reverse that slide.

But it is difficult to paint Sweden as a country verging on decay at a time of economic growth, falling unemployment, modest interest rates and buoyant consumer demand.

Mr Bildt argues that the feeling of well-being is largely superficial. Instead, he maintains that inflexible labour regulations are stifling the country's growth potential and any decline in unemployment has been marginal, at best.

"This government is investing masses of money just to remove people from the labour market," he says.

At the same time, the Moderates claim that employers have become increasingly disillusioned with a tax regime that penalises wealth creation and defers to organised labour in wage negotiations.

For the party's leader, such developments are a sign of unwelcome government interference.

"We have two competing visions in Sweden," he says. "Mr Persson is promising to bring back the past, we are promising to bring forward the future."

However, most polls suggest that Swedish voters have a strong affection for the past. It will be difficult for Mr Bildt, despite his international credentials, to persuade them to take a step into the unknown.

Tim Burt

TELECOMMUNICATIONS • by Greg McIvor

Key testing ground for deregulation in EU

Telia is feeling the pinch since the scrapping of its monopoly opened the field

Swedish telecommunications is a classic example of the positive benefits of deregulation. Since Sweden, in 1993, joined the UK as one of the first European countries fully to liberalise its telecoms industry, the market for telephone-based services has boomed.

The scrapping of the monopoly enjoyed by Telia, the state-owned operator, opened the field to a host of thrusting newcomers. Telia now faces competition from 20 or so rival suppliers in the market for voice calls and from some 30 providers of internet-based electronic services. In mobile services, it is competing against two rival networks; a fourth is planned.

For several big international operators, Sweden served as an important test ground in preparation for the lifting of all barriers to competition inside the European Union on January 1 this year.

Operators such as Global One – an alliance of Deutsche Telecom, France Telecom and Sprint of the US – and US groups WorldCom and MFS have all established operations in the SKr80bn Swedish market.

Other entrants include Telenordia, a joint venture between British Telecom, Tele Danmark and Telenor of Norway; RSL Communications of the US; Telecom Finland; and Netcom, controlled by Kinnevik, the Swedish media group.

Spurring these companies on is Sweden's strong appetite for telecoms services. The country has Europe's highest density of wire lines, with 68 per 100 inhabitants according to industry figures. Penetration of mobile services is 37 per cent, *the world's second* highest rate, alongside Norway and just behind Finland.

For Telia, deregulation has been a bittersweet experience. Stiff competition has forced call costs sharply downward, eroding its once-cosy margins. This has forced it into a radical internal upheaval, including the cutting of its workforce from 46,000 at the start of the decade to 31,000.

But although its position is far less secure in the post-deregulation world, Telia insists it welcomes more competition.

Its chief executive, Lars Berg, says liberalisation has benefited the industry as a whole by increasing overall demand for telecoms services.

The market is currently growing by about 10 per cent annually – more than three times the pre-deregulation rate.

At a glance, Telia would appear to have little to worry about. After all, it still retains more than 90 per cent of the fixed telephony market and two-thirds of the younger cellular market. Its revenues grew by 7 per cent last year to SKr46.4bn.

The fact is, though, that Telia is slipping. Its position has remained intact only in the local calls segment, where slim margins have deterred competitors. Even this last bastion is poised to be opened up following Netcom's recent announcement that it intends to enter the market from the start of next month.

So far it is in the more lucrative international and long-distance calls *business – which tradition*ally has subsidised Telia's local call operations – where the former monopoly has felt the brunt of competition.

New operators have grabbed 20-25 per cent of the international call market and about a 10th of long-distance services. These shares continue to rise.

Telenordia, aiming for a 50 per cent penetration rate among Swedish households and businesses by 2002. At present it serves about 3 per cent of households but has a bigger share of the fast-growing internet connection market, with some 130,000 subscribers.

The opportunities presented by deregulation can be illustrated by the example of Netnet, which supplies low-cost telephony services to *small and* medium-sized businesses by negotiating with operators for excess line capacity.

Founded in 1996 with Jan Carlzon, the former chief executive of Scandinavian Airlines System, as its largest owner, it has already built a presence in nine European countries and reaches more than 8,000 customers.

It is currently being courted by several international telecoms groups.

Telia can, however, *draw some comfort from* the fact that many of its rivals suffer from weak profitability. By contrast, its operating profit margin is 10.4 per cent.

Netnet, for instance, incurred pre-tax losses of \$14.7m last year on sales of \$18.2m. Telenordia's sales rose three-fold last year to SKr681m but the company still recorded a SKr230m deficit.

Clearly, newcomers to a capital-intensive industry must accept that it takes time to build a profitable operation. But while they continue to make losses, Telia can afford to be sanguine about the threat to its business.

Telia's main profit generator now is mobile services. The market was liberalised as long ago as 1981 but Telia has held on to a 66 per cent market share. This puts it well ahead of its nearest competitors, Netcom on 22 per cent and Europolitan on 12 per cent.

Given its strong market position in Sweden, Telia's chief source of future growth lies overseas.

Aware that size matters when investing in new markets, the company recently held merger talks with Telenor, its state-owned Norwegian rival.

Negotiations collapsed, however, over a failure to agree on management structures.

With the merger route closed – at least for the moment – Telia may now find the time right to redouble efforts to develop AT&T-Unisource, its joint venture with KPN of the Netherlands, Swisscom, Telecom *Italia and AT&T of* the US.

VIEWPOINT Göran Persson, prime minister

Welfare will remain a priority

Göran Persson: "We have taken a grip on the public sector"

Today, this government is laying out in the spring budget bill our programme for 1999 and the future of Sweden over the next decade.

In 1994, I asked for a mandate to restore public finances and cut unemployment. We have done better than promised.

Now, for the first time we can look forward to the future. Here we are creating the political agenda, and our opponents have to respond or accept it.

Sweden is in an extremely positive situation of low inflation, low interest rates, and well invested production capacity. That will give a boost to employment.

In the election campaign, it will be easier to identify the issues which will not figure greatly, rather than those that will.

I do not think public sector finances will be the issue that it was at the last election. The average Swede now realises that we have taken a grip on the public sector and finances are now under control.

Also, I do not believe unemployment will be a hot issue because we are now seeing growth in employment. We are seeing success in education and retraining as part of a wider restructuring of the Swedish economy.

Over the past 10 years, 200,000 people have lost their jobs in the public sector, but 100,000 new jobs have been created in the private sector since the mid-1990s. Now, the public sector is also growing again and unemployment will continue to fall.

I believe the election campaign will focus on the public sector and the welfare system – particularly health, education, child care and the elderly. It is obvious that we have some problems.

There has been a loss in quality of care and the Swedish electorate will focus on that. Now we have restored public finances we can improve welfare provision and public sector services. I am not afraid of such a campaign.

If the electorate believe we have failed as social democrats on such issues, they will deliver their verdict in September. Their reservations are not about the system itself, but about the delivery of services.

We should also be judged on our economic record. There will be a balanced budget in 1998, and a surplus in 1999 and 2000. We can therefore promise more resources (for public spending) within the targets we have set.

The opposite course of offering tax reductions while increasing spending commitments would give signals to the market that could create instability. The markets may react negatively if the opinion polls shift during the summer, signalling a change in government to one wanting tax cuts and more spending.

I am open for a discussion on labour market flexibility. We have already made some changes in labour legislation, although I have not seen that deregulating labour markets leads to the creation of large numbers of jobs.

Sweden is not the same as the UK in terms of old union power. Swedish unions represent about 90 per cent of the workforce. They have to be mainstream, they cannot be militant.

I think that our consensus system in employer-union relations has worked and the wage formation process has gone rather smoothly.

From now on, the challenge will be about how to give the workforce the opportunity to switch to new tasks. Those that have jobs in sectors that disappear cannot make do without retraining.

Of the 200,000 people to lose their jobs in the public sector, many were young women. They deserve education for the sectors growing in the economy. Government training programmes offer them a chance through new skills, particularly in the IT sector.

We can see in the future women transferring from the public sector to the industrial sector. It will not be the result of new legislation but as a result of resources in retraining.

The development of new industry has also been helped by low corporation tax. Some large companies have signalled that while they are happy to pay Swedish rates of corporate tax, they believe we should conform with international income tax rates.

I am not against lower income taxes but we also realise the connection between taxes and quality in the public sector. We cannot start lowering taxes without first convincing the electorate that quality of social care, education and health are among the world's best.

We may see some tax reforms in the coming four years, however. When a government has restored public sector finances then it can consider tax reform.

For our conservative opponents, reducing taxes has been the focus for 30 years, but not this time. In my view, the neo-liberal wave in the western world has come to an end and we will all focus in future on the welfare situation.

To do that successfully, any would-be government must first capture the centre ground. Thatcher lost her grip when she left the centre; that gave the UK Labour party the opportunity to retake it.

For 60 years, my party has realised that it must capture both the left and the centre.

We are setting out a programme oriented towards the next millennium, in combination with the traditional message about social security. It must be founded on sound public finances and the capability to deliver social security and welfare.

In all, there will be six main areas of emphasis.

● Europe: enlargement to the east and into the Baltic Sea region is of crucial importance. This, we believe, will be the strongest growing region in Europe for the next 20 years, and reflects the growing importance of the relationship between the mature economies of the Nordic region and the young economies to the east.

On economic and monetary union, we are not prepared to be dictated to about Swedish participation. We will do anything we can to ensure that the introduction of the euro is a success. Sweden will be constructive on this issue.

We want to discuss this further before entering. This is the biggest decision I will ever take part in – to enter monetary union and say farewell to your own currency. It must be put to a referendum or election before we take a definitive stand on whether to participate.

● Information technology offers huge potential. With the US, we are the most IT integrated country in the world. We will present in the budget bill a programme to strengthen our position with some incentives for investment.

● Entrepreneurship. The strength of the economy is employing more and more Swedes; many of them will not be mere employees but entrepreneurs.

● Education at primary, secondary and university level has to be developed.

● Environmental and ecological policy – our nuclear plants have a limited technical lifespan. They are becoming old and we have to replace them.

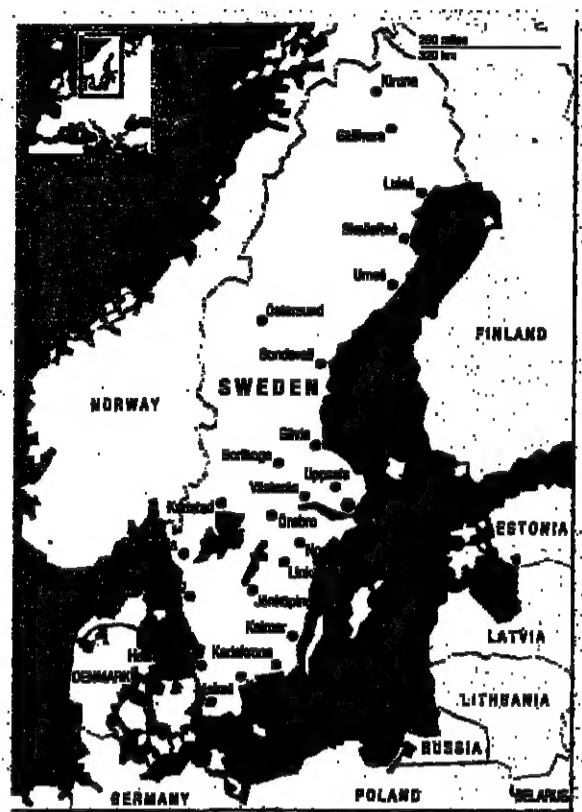
● Finally, immigration is of growing importance, with regard to integrating immigrants into our society. The problems in housing and schooling will be addressed.

Anything we promise in this spring bill will be fully financed I realise the electorate will want to know how much it will cost.We are starting from a position of strength – including our success in meeting the convergence criteria (for economic and monetary union) – and we intend to preserve that position into the future.

Interview by Tim Burt and Greg McIvor

Constitution

• Official name
Kingdom of Sweden
• Form of state
Constitutional monarchy
• Legal system
Based on constitution of 1975
• National legislature
Unicameral Riksdag (parliament) of 349 members directly elected for a four-year term. In the event of an early dissolution, the new parliament serves only the remainder of the previous parliament's term
• Electoral system
Under the Swedish system of proportional representation, 310 seats are allocated on a constituency basis in 28 multimember constituencies; the remaining seats are divided nationally. To win parliamentary representation a party must poll 4% overall (to receive a seat from the national allocation) or 12% in any one constituency. From 1998 voters will have the opportunity to state a preference for individual candidates
• National elections
September 18 1994; next election to be held on September 20 1998
• Head of state
King Carl XVI Gustaf. The king plays no role in government
• National government
Cabinet headed by prime minister responsible to the Riksdag. There is currently a minority Social Democratic government
• Prime minister
Göran Persson
• Main political parties
Social Democratic party (SDP, 162 seats); Moderate party (known as Conservatives, 80); Centre party (27); Liberal party (26); Left party (22); Green party (18); Christian Democrats (CD, 14)



• Area: 449,964 sq km
• Population: 8,844,500 (Dec 1996 estimate)
• Language: Swedish
• Currency: Krona (SKr)
• Exchange rate: 1997 av $1 = SKr7.6349
April 7 1998 $1 = SKr7.9980

• Main towns and population (end 1995)
Stockholm (capital) 711,119

Gothenburg	449,189	Norrköping	123,795
Malmö	245,699	Västerås	123,728
Uppsala	183,472	Örebro	119,635
Linköping	131,370	Jönköping	115,429

Economic summary

	1996	1997(estimate)
Total GDP (SKr billion)	[illegible]	1,745
Real GDP growth (annual percentage change)	1.2	1.8
GDP per head ($'000)	28.3	25.4
Inflation (annual percentage change in CPI)	0.1	1.9
Average hourly earnings (annual percentage change)	6.5	4.2
Industrial production (annual % change)	2.8	7.2
Unemployment rate (percentage of workforce)	8.1	8.0
Money supply, M3 (annual percentage change)	11.5	1.3
Retail sales volume (annual percentage change)	-1.2	4.2
Government expenditure (percentage of GDP)	64.7	64.1
Government budget deficit (percentage of GDP)	-3.5	-0.8
Current account balance ($billion)	6.1	7.9
Exports ($billion)	84.8	82.7
Imports ($billion)	66.3	65.4
Trade balance ($billion)	18.6	17.3
Discount rate (%)	2.5	2.5
Three-month inter-bank (%)	4.1	4.5
10-year government bond yield (%)	6.7	6.6

Main trading partners (share of total trade in world 1996)

هكذا من الأصل